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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on 18th December, 2025:—

BILL NO. 200 OF 2025

A Bill to consolidate and amend the laws relating to the securities markets and for matters connected therewith or incidental thereto.

Be it enacted by Parliament in the Seventy-sixth Year of the Republic of India as follows:

CHAPTER I

PRELIMINARY

1. (*1*) This Code may be called the Securities Markets Code, 2025. Short title and commencement.

(*2*) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:

Provided that different dates may be appointed for different provisions of this Code and any reference in any such provision to the commencement of this Code shall be construed as a reference to the coming into force of that provision.

Definitions.

2. (*1*) In this Code, unless the context otherwise requires,—

(*a*) "adjudicating officer" means a person designated as such under sub-section (*1*) of section 17;

(*b*) "Bench" means a Bench of the Tribunal;

(*c*) "beneficial owner" means a person whose name is recorded as such with a depository in respect of any securities or other regulated instrument and the expression "beneficial ownership" shall be construed accordingly;

(*d*) "Board" means the Securities and Exchange Board of India referred to in sub-section (*1*) of section 3;

(*e*) "bye-laws" means the bye-laws made by a market infrastructure institution under section 39;

(*f*) "Chairperson" means the Chairperson of the Board appointed under section 4;

(*g*) "clearing corporation" means a person undertaking the activity of clearing and settlement of trades in securities, but does not include a system provider defined in the Payment and Settlement Systems Act, 2007. 51 of 2007.

Explanation.—For the purposes of this clause,—

(*i*) "clearing" means the process of transmitting, reconciling and to the extent applicable, confirming the payment obligations or transfers of securities prior to settlement; and

(*ii*) "settlement" means the completion of delivery and payment of funds or securities or underlying of a derivative, to the relevant parties in a contract in order to settle their obligations or to provide a title to the securities or underlying or both;

(*h*) "clearing member" means a person having clearing and settlement rights as specified in the bye-laws of a clearing corporation;

(*i*) "commodity" means any kind of goods, including any activity, service, right, interest or event relating to or associated with such goods, as may be notified by the Central Government in consultation with the Board;

(*j*) "contract" means a contract for or relating to the purchase or sale of securities;

(*k*) "depository" means a person engaged in the activity of providing depository services, but shall not include a person providing depository services in relation to a Government security, a Registry or a ledger account maintained by the Reserve Bank or its agent in accordance with the provisions of the Government Securities Act, 2006; 38 of 2006.

(*l*) "depository services" means any service relating to,—

(*i*) recording a transaction in securities or other regulated instrument, including the allotment or transfer or transmission of ownership of such securities or other regulated instrument in dematerialised form in the record or register of a depository;

(*ii*) distribution of any monetary or securities-based benefits associated with any securities or other regulated instrument;

(*iii*) facilitating electronic voting and exercising any interest and rights associated with any securities or other regulated instrument; or

(*iv*) such other services as may be specified by regulations;

(*m*) "derivative" includes,—

(*i*) a security derived from an underlying;

(*ii*) a contract for the actual or intended delivery of the underlying on a future date and which is not a spot delivery contract;

(*iii*) a contract that derives its value from prices or indices of prices or difference in prices of such underlying which may be settled with physical delivery of the underlying or by paying the difference in cash or equivalent;

(*iv*) a contract which provides for a right, with or without any obligation for the actual delivery of the underlying on a future date;

(*v*) a contract or a swap agreement for exchange of cash flows or underlying in future;

(*vi*) a contract which provides for exchange of one or more payments in future based on the value of the underlying;

(*vii*) a derivative structured upon the same or a different kind of derivative;

(*viii*) such other instruments as the Central Government may notify; and

(*ix*) a combination of any contract or agreement specified in sub-clauses (*i*) to (*viii*),

but shall not include derivative as defined in clause (*a*) of section 45U of the Reserve Bank of India Act, 1934 and such other instruments as the Central Government may notify in this regard;

2 of 1934.

(*n*) "Fund" means the Fund referred to in sub-section (*1*) of section 124;

(*o*) "goods" means any kind of movable property, other than actionable claims, money and securities;

(*p*) "Government security" shall have the same meaning as assigned to it in clause (*f*) of section 2 of the Government Securities Act, 2006;

38 of 2006.

(*q*) "intermediary" means,—

(*i*) an asset management company;

(*ii*) a banker to an issue;

(*iii*) a credit rating agency;

(*iv*) a custodian;

(*v*) a debenture trustee;

(*vi*) a depository participant;

(*vii*) an index provider in relation to indices traded in the securities markets;

(*viii*) an investment adviser;

(*ix*) an investment manager;

(*x*) a Know Your Customer Registration Agency;

(*xi*) a merchant banker;

(*xii*) a portfolio manager;

(*xiii*) a pooled investment vehicle;

(*xiv*) a registrar to an issue;

(*xv*) a research analyst;

(*xvi*) a share transfer agent;

(*xvii*) a stock broker;

(*xviii*) a trading member;

(*xix*) a trustee of trust deed;

(*xx*) an underwriter;

(*xxi*) a vault manager; and

(*xxii*) such other persons associated with the securities markets, as notified by the Board under sub-section (*3*) of section 34,

but shall not include a person carrying out the activities of the nature mentioned in section 34 relating to instruments referred to in Chapter IIID of the Reserve Bank of India Act, 1934; 2 of 1934.

(*r*) "investment scheme" means the scheme referred to in section 32;

(*s*) "Investor Protection and Education Fund" means the fund referred to in section 125;

(*t*) "issuer" means any person who makes or proposes to make or has made an issue of securities which are listed or to be listed;

(*u*) "listing" means the admission of securities for trading on a stock exchange and the expression "listed" shall be construed accordingly;

(*v*) "market infrastructure institution" means a stock exchange, a clearing corporation or a depository and includes such other class or classes of market infrastructure institutions, as may be notified by the Central Government, except those authorised or required to be authorised by other regulatory bodies;

(*w*) "market participant" means a person or its agent participating in the securities markets as an issuer or an investor.

Explanation.—For the purposes of this clause, an intermediary shall be deemed to be a market participant, if it participates in the securities markets as an investor or issuer;

(*x*) "member", in relation to—

(*i*) a stock exchange or a clearing corporation, means a trading member or a clearing member;

(*ii*) a depository, means a depository participant; and

(*iii*) any other market infrastructure institution notified under clause (*v*), means a member of such market infrastructure institution;

(*y*) "notification" means a notification published in the Official Gazette and the expressions "notify" or "notified" shall be construed accordingly;

(*z*) "other regulated instrument" means an instrument that is primarily regulated by other regulatory authority;

(*za*) "other regulatory authority" means an authority or body constituted or any department of the Central Government or the State Government authorised, under any other law for the time being in force to regulate goods, services, activities or transactions;

(*zb*) "person" includes—

(*i*) an individual;

(*ii*) a Hindu undivided family;

(*iii*) a company;

(*iv*) a firm;

(*v*) an association of persons or a body of individuals, whether incorporated or not;

(*vi*) a limited liability partnership;

(*vii*) a trust;

(*viii*) local authority; and

(*ix*) every artificial juristic person, not falling within any of the preceding sub-clauses;

(*zc*) "pooled investment vehicle" means a fund referred to in sub-section (*1*) of section 33;

(*zd*) "prescribed" means prescribed by rules made under this Code;

(*ze*) "record" includes the records maintained in the form of books or in such other form as may be specified by regulations and electronic record as defined in clause (*t*) of section 2 of the Information Technology Act, 2000;

21 of 2000.

(*zf*) "Recovery Officer" means any officer of the Board authorised by general or special order in writing to exercise the powers of a Recovery Officer under this Code;

(*zg*) "regulations" means the regulations made by the Board;

(*zh*) "Schedule" means a Schedule appended to this Code;

(*zi*) "securities" include—

(*i*) shares, scrips, stocks, bonds, secured or unsecured debentures, warrants, or debenture stock or other marketable securities of a like nature in or of any incorporated company or a pooled investment vehicle or other body corporate;

(*ii*) hybrid instruments;

(*iii*) convertible instruments;

(*iv*) derivatives;

(*v*) units or any other instruments issued in respect of any investment scheme by a pooled investment vehicle to the investors in such schemes;

(*vi*) security receipts managed and regulated in accordance with the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

54 of 2002.

(*vii*) a certificate or an instrument, by whatever name called, issued to an investor by any issuer as a special purpose distinct entity which possesses any debt or receivable including mortgage debt, assigned to such entity, and acknowledging the beneficial interest of such investor in such debt or receivable including mortgage debt, as the case may be;

(*viii*) global depository receipts and Indian depository receipts;

(*ix*) notes or papers issued for the purpose of raising of capital, which are listed or proposed to be listed;

(*x*) Electronic Gold Receipts;

(*xi*) Government security managed and regulated under the provisions of the Reserve Bank of India Act, 1934 and the Government Securities Act, 2006; 2 of 1934. 38 of 2006.

(*xii*) zero coupon zero principal instruments;

(*xiii*) bullion spot delivery contract and bullion depository receipt with underlying bullion in respect of issuance and trading in an International Financial Services Centre under the provisions of the International Financial Services Centres Authority Act, 2019; 50 of 2019.

(*xiv*) onshore rupee bonds issued by multilateral institutions such as the Asian Development Bank and the International Finance Corporation;

(*xv*) other regulated instrument, to the extent it is permitted for listing under section 119;

(*xvi*) such other instruments as may be notified by the Central Government; and

(*xvii*) rights or interests in securities,

but shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a combined benefit risk on the life of the persons and investment by such persons and issued by an insurer defined in clause (*9*) of section 2 of the Insurance Act, 1938; 4 of 1938.

(*zj*) "securities markets" means the markets related to securities;

(*zk*) "securities markets service provider" means an intermediary, a market infrastructure institution or a self-regulatory organisation;

(*zl*) "self-regulatory organisation" means a person, formed and promoted by a class of intermediaries or investors;

(*zm*) "Special Court" means the Special Court established or designated by the Central Government under section 113;

(*zn*) "stock exchange" means a person engaged in assisting, regulating or controlling the business of buying, selling or dealing in securities and undertaking other related functions, but shall not include agencies permitted to assist or facilitate buying, selling or dealing in instruments or securities under Chapter IIID of the Reserve Bank of India Act, 1934; 2 of 1934.

(*zo*) "subsidiary instructions" mean the instructions made under section 149 and include any circular, master circular, guideline and such other instrument;

(*zp*) "trading member" means a person having trading rights in any stock exchange and includes a stock broker;

(*zq*) "Tribunal" means the Securities Appellate Tribunal referred to in section 79;

(*zr*) "underlying" in respect of a derivative, means a security or a commodity or an actionable claim or money or currency or indices on any instrument or prices or yields or volatility or liquidity or credit score or ratings or events or activity or progress or a situation or financial measures or other instruments from which such derivative derives its value;

(*zs*) "unit" means an instrument by which contribution or subscription is made by an investor to an investment scheme or to any person and represents the beneficial interest or ownership of the unit holder in such investment scheme or person, as the case may be;

(*zt*) "unlawful gain" means an unlawful gain including the profit made and loss averted by a person.

(*2*) The words and expressions used herein and not defined, but defined in the Reserve Bank of India Act, 1934 and the Companies Act, 2013 shall have the same meanings assigned to them in those Acts.

2 of 1934.
18 of 2013.

CHAPTER II

ESTABLISHMENT, MANAGEMENT AND ADMINISTRATION OF BOARD

Securities and Exchange Board of India.

3. (*1*) The Securities and Exchange Board of India established and incorporated under section 3 of the Securities and Exchange Board of India Act, 1992 shall be deemed to have been established and incorporated under this Code, having its head office in Mumbai.

15 of 1992.

(*2*) The Board may establish its offices at other places in India.

(*3*) On and from the date of commencement of this Code, all properties and assets, movable or immovable, of or belonging to the Board and all rights and liabilities of the Board, shall continue to vest in the Board.

Composition of Board.

4. (*1*) The Board shall consist of the following Members to be appointed by the Central Government, namely:—

(*a*) Chairperson of the Board;

(*b*) two Members from amongst the officers of the Ministry of the Central Government dealing with Finance and administration of the Companies Act, 2013, *ex officio*;

18 of 2013.

(*c*) one Member from amongst the officers of the Reserve Bank, *ex officio*; and

(*d*) eleven other Members of whom at least five shall be whole-time Members.

(*2*) Without prejudice to anything contained in section 6, on the date of the commencement of this Code, the Chairman and Members appointed under section 4 of the Securities and Exchange Board of India Act, 1992, shall be deemed to be the Chairperson and Members appointed under clauses (*a*) and (*d*) of sub-section (*1*) for the remainder period.

15 of 1992.

(*3*) The Chairperson and Members referred to in clauses (*a*) and (*d*) of sub-section (*1*) shall be appointed by the Central Government, in such manner as may be prescribed and the members referred to in clauses (*b*) and (*c*) of that sub-section shall be nominated by the Central Government and the Reserve Bank, respectively.

(*4*) The Chairperson and Members referred to in clauses (*a*) and (*d*) of sub-section (*1*) shall be persons of ability, integrity and standing in dealing with problems relating to securities markets or have special knowledge or experience of law, finance, economics, technology, commodity markets, accountancy, administration or in any other discipline which in the opinion of the Central Government is useful to the Board:

Provided that while appointing Members referred to in clause (*d*) of sub-section (*1*), the Central Government shall endeavour to appoint at least three persons with expertise in the securities markets.

Terms and conditions of service of Chairperson and Members of Board.

5. (*1*) The Chairperson and every whole-time Member of the Board shall hold office for a term not exceeding five years:

Provided that no person shall hold office as the Chairperson or a whole-time Member on attaining the age of sixty-five years.

(*2*) Every other Member referred to in clause (*d*) of sub-section (*1*) of section 4 shall hold office for a term not exceeding three years:

Provided that no person shall hold office as other Member on attaining the age of seventy years.

(*3*) The other terms and conditions of service of the Chairperson and the Members referred to in clauses (*a*) and (*d*) of sub-section (*1*) of section 4 shall be such as may be prescribed.

(*4*) The term of office of *ex officio* Members shall continue as long as they hold the office by virtue of which they are such Members.

(*5*) Notwithstanding anything contained in sub-section (*1*), or sub-section (*2*), the Central Government shall have the right to terminate the services of the Chairperson or a Member appointed under clauses (*a*) and (*d*) of sub-section (*1*) of section 4, at any time before the expiry of the period specified under sub-section (*1*) or sub-section (*2*), by giving notice of not less than three months in writing or three months' salary and allowances *in lieu* thereof, and the Chairperson or such Member, as the case may be, shall have the right to relinquish his office, at any time before the expiry of the period specified under sub-section (*1*) or sub-section (*2*), by giving notice of not less than three months in writing to the Central Government.

(*6*) The Chairperson and the whole-time Members shall not accept any employment under the Central Government or any State Government or any appointment with a securities markets service provider or a market participant or any other person associated with securities markets for a period of one year from the date on which they cease to hold office, except with the prior approval of the Central Government.

Removal of Members from office.

6. The Central Government shall remove a Member from the office, if such Member—

(*a*) is, or at any time has been, adjudged as an insolvent;

(*b*) is of unsound mind and stands so declared by a competent court;

(*c*) has been convicted and sentenced to imprisonment for an offence which in the opinion of the Central Government, involves moral turpitude;

(*d*) has, in the opinion of the Central Government, acquired any financial or other interests that is likely to prejudice his functions; or

(*e*) has, in the opinion of the Central Government, so abused his position as to render his continuation in the office detrimental to public interest:

Provided that no Member appointed under clauses (*a*) and (*d*) of sub-section (*1*) of section 4 shall be removed under clauses (*d*) and (*e*) of this section unless such Member has been given an opportunity of being heard in the matter.

Management of Board.

7. (*1*) The general superintendence, directions and management of the affairs and business of the Board shall vest in a Board of Members referred to in section 4 to exercise all powers and do all acts and things which may be exercised or done by the Board.

(*2*) Save as otherwise provided by regulations, the Chairperson shall also have powers of general superintendence and direction of the affairs of the Board and may also exercise all powers and do all acts and things which may be exercised or done by the Board, except the powers under sections 128 and 146.

Meetings of Board.

8. (*1*) The Members of the Board shall meet at such times and places, and shall observe such rules of procedure in regard to the transaction of business at its meetings, including quorum at such meetings and maintaining arrangements for recording, safe-keeping and publications of the decisions, as may be specified by regulations:

Provided that the Members of the Board may by circulation, take decisions in such manner as may be specified by regulations.

(*2*) The Chairperson, or if he is unable to attend a meeting of the Board for any reason, any other Member chosen by the Members present from amongst themselves at the meeting, shall preside over the meeting.

(*3*) All questions which come up before any meeting of the Board shall be decided by a majority of the Members present and voting, and in the event of equality of votes, the Chairperson, or in his absence, the person presiding shall have a second or casting vote.

(*4*) Any Member, who has such direct or indirect interest, including the interest of any family member, as may be specified by regulations, in any matter coming up for consideration at a meeting of the Board shall, as soon as possible after the said interest has come to his knowledge, disclose the nature of his interest at such meeting and such disclosure shall be recorded in the proceedings of the meeting of the Board, and such Member shall not take any part in any deliberation or decision of the Board with respect to that matter.

(*5*) The provisions of sub-sections (*3*) and (*4*) shall *mutatis mutandis* apply to all decisions taken by way of circulation.

Officers and employees of Board.

9. (*1*) The Board may appoint such other officers and employees as it considers necessary for the efficient discharge of its functions under this Code.

(*2*) The qualifications, method of recruitment and terms and other conditions of service of officers and employees of the Board appointed under sub-section (*1*) shall be such as may be specified by regulations.

Vacancies, etc., not to invalidate proceedings of Board.

10. No act or proceeding of the Board shall be invalid merely by reason of,—

(*a*) any vacancy in, or any defect in the constitution of the Board;

(*b*) any defect in the appointment of a person acting as a Member of the Board; or

(*c*) any irregularity in the procedure of the Board not affecting the merits of the case.

Powers and functions of Board.

11. (*1*) Subject to the provisions of this Code, the Board shall protect the interest of investors in securities and promote the development of, and regulate the securities markets, by such measures as it may deem fit.

(*2*) Without prejudice to the generality of the foregoing provisions, the Board shall exercise the powers and perform the following functions, namely:—

(*a*) register and regulate the market infrastructure institution;

(*b*) register and regulate the intermediaries;

(*c*) register and regulate the self-regulatory organisations;

(*d*) regulate the business in securities markets;

(*e*) regulate the issue, listing, delisting, transfer of securities, dealings in securities and other related matters by market participant, subject to the provisions of Chapter XV;

(*f*) regulate or prohibit the public issue of any prospectus, offer document or advertisement soliciting money by way of issue of securities;

(*g*) regulate or prohibit the solicitation of money from investors in respect of any investment scheme;

(*h*) regulate substantial acquisition of shares and take-over of companies;

(*i*) regulate the working of any class or classes of market participants, either directly or indirectly through a market infrastructure institution or a self-regulatory organisation;

(*j*) regulate the qualifications and certification of the securities markets service providers;

(*k*) protect the interest of investors, promote investor education and awareness and ensure effective and time-bound redressal of investor grievances;

(*l*) prohibit fraudulent and unfair practices relating to the securities markets and market abuse;

(*m*) promote training of intermediaries and market participants;

(*n*) promote transparency and best practices in its governance;

(*o*) ensure fair and timely disclosure of information by a securities markets service provider;

(*p*) ensure adequate training and capacity-building of its officers and employees for facilitating efficient discharge of functions;

(*q*) lay down principles for implementation of this Code;

(*r*) call for information from a securities markets service provider or a market participant or any other person associated with securities markets for the implementation of this Code;

(*s*) call for information and records from any person including any bank or a financial institution or any other authority or board or corporation established or constituted by or under any Central Act or State Act, which may be relevant to any inspection, investigation or adjudication in respect of any transaction in securities;

(*t*) call for information from or furnish information to, other authorities, whether in India or outside India, in the matters relating to prevention or detection of contraventions in respect of securities laws, subject to the provisions of other laws for the time being in force:

Provided that the Board, for the purposes of furnishing any information to any authority outside India, may enter into an arrangement or agreement or understanding with such authority with the prior approval of the Central Government;

(*u*) undertake inspection, investigation and adjudication;

(*v*) share any information or other documents obtained during inspection, investigation or adjudication, as the case may be, regarding the contravention of any other law for the time being in force with the authorities concerned, if such information or documents are relevant or useful to such authority;

(*w*) levy fees or other charges for carrying out the purposes of this Code which shall be reviewed periodically;

(*x*) conduct periodic research, regulatory impact assessment studies and audit of functioning and performance of securities markets including securities markets service provider, and publish such information and data on its website;

(*y*) maintain its website or any other universally accessible database of electronic information on securities markets, and publish on such website or database all regulations, subsidiary instructions, orders of the adjudicating officer and the Ombudsperson and any other information as it deems fit; and

(*z*) perform such other functions as may be prescribed.

(*3*) The Board shall review its performance and functioning including proportionality and effectiveness of the regulations made in this behalf.

(*4*) Notwithstanding anything contained in any other law for the time being in force, while exercising the powers under clause (*r*) or clause (*s*) or clause (*u*) of sub-section (*2*), the Board shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 while trying a suit, in respect of the following matters, namely:— 5 of 1908.

(*a*) the discovery and production of books of account and other documents, at such place and time as may be specified by the Board;

(*b*) summoning and enforcing the attendance of persons and examining them on oath;

(*c*) inspection of any books, registers and other documents of a securities markets service provider or an issuer, at any place; or

(*d*) issuing commissions for the examination of witnesses or documents.

CHAPTER III

INSPECTION, INVESTIGATION, ADJUDICATION AND INTERIM ORDER

Inspection.

12. The Board may inspect a securities markets service provider, a market participant or any other person associated with securities markets in such manner as may be specified by regulations:

Provided that the Board may order inspection of any book or register or other document or record of any issuer, not being an intermediary, where the Board has reasonable grounds to believe that such issuer has been indulging in fraudulent or unfair practices or market abuse referred to in section 92 or section 93, as the case may be.

Investigation.

13. (*1*) If the Board, on receipt of any information or otherwise, has reasonable grounds to believe that—

(*a*) transactions in securities are being undertaken in a manner detrimental to the investors or the securities markets;

(*b*) any securities markets service provider, a market participant or any other person associated with the securities markets has contravened any of the provisions of this Code or the rules or regulations made thereunder, or any order issued by the Board; or

(*c*) any person has aided or abetted such contraventions,

it may, by an order in writing, direct one or more persons from amongst its Chairperson, whole-time Members or officers, to act as the Investigating Officer to investigate into such transactions or contraventions or the affairs of such securities markets service provider, a market participant or any other person associated with the securities markets and submit a report to the Board:

Provided that the Board may seek assistance of a securities markets service provider or an expert to assist the Investigating Officer under this Chapter, in such manner as may be specified by regulations.

(*2*) The order referred to in sub-section (*1*) shall be in such form as may be specified by regulations and the investigation shall be completed within a period of one hundred and eighty days:

Provided that where the investigation report is not submitted within the aforesaid period, the Investigating Officer shall provide the status of the investigation to the Board and record the reasons for the delay and request the whole-time Member concerned for extension of time:

Provided further that on receipt of a request for extension of time, the whole-time Member, if necessary, grant such extension, with such conditions, if any, as he may deem fit, or reject the request.

(*3*) The Investigating Officer shall, if quantifiable, quantify the unlawful gains made or likely to be made or the loss caused, or likely to be caused to an investor or group of investors as a result of any default or contravention in accordance with such criteria and manner as may be specified by regulations.

(*4*) If the Board, upon consideration of the investigation report is of the opinion that further investigation is called for, it may, by an order direct the Investigating Officer to make further investigation and submit a supplementary report within such period as specified therein.

(*5*) The procedure for conducting investigation under this Chapter shall be such as may be specified by regulations.

General powers and obligations of Investigating Officer.

14. (*1*) Notwithstanding anything contained in any other law for the time being in force, where an investigation has been directed under section 13,—

(*a*) every key managerial personnel, director, manager, secretary or other officer or employee of a securities markets service provider or a market participant or a person being a body corporate;

(*b*) every trustee or manager or employee of a securities markets service provider or a market participant or a person being a trust;

(*c*) every partner, manager, secretary or key managerial personnel or other officer of the firm or society of a securities markets service provider or a market participant or a person being a firm or society; and

(*d*) every other person or body of persons who has or had dealings in the course of business with any of the persons mentioned in clauses (*a*), (*b*) and (*c*), whether directly or indirectly,

shall—

(*i*) preserve and produce before the Investigating Officer or any person authorised by him in this behalf, all such books of account, registers, records, information and other documents in his custody or power relating to or having a bearing on the subject-matter of such investigation, as the case may be;

(*ii*) furnish any such statement or undertaking or certification relating thereto, as may be required, within such period as specified by the Investigating Officer or any person authorised by him in this behalf;

(*iii*) provide reasonable assistance to the Investigating Officer or any person authorised by him in this behalf, relating to the investigation; and

(*iv*) appear personally and take oath before the Investigating Officer when required to do so and answer any question put to him during such appearance in relation to the affairs of his business.

(*2*) The Investigating Officer shall record the examination referred to in sub-section (*1*) in writing, which shall be read over and explained to, or by, and signed by the person examined, which may thereafter be used in evidence.

(*3*) The Investigating Officer may keep in his custody any books, registers, other documents and record produced under sub-section (*1*) for a period of six months and shall thereafter return the same to the person concerned.

(*4*) The Investigating Officer, if deems necessary, may again call for any book, register, other document and record.

(*5*) If the person who produced the books, registers, other documents and records under sub-section (*1*), requires certified copies of the same, the Investigating Officer shall provide such copies.

(*6*) The Investigating Officer shall, before exercising his powers under this section against any person, serve a notice to him, in such form and manner as may be specified by regulations:

Provided that where the Investigating Officer is satisfied that the issuance of a notice shall cause undue delay in investigation or there is an apprehension that records, books of account, registers, information and other documents referred to in sub-section (*1*) may be destroyed, mutilated, concealed, altered, falsified or secreted, after the notice is served, he may, for reasons to be recorded in writing, dispense with issuance of such notice.

(*7*) Notwithstanding anything contained in any other law for the time being in force, the Investigating Officer shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 while trying a suit, in respect of the following matters, namely:— 5 of 1908.

(*a*) the discovery and production of books of account and other documents, at such place and such time as may be specified by the Board;

(*b*) summoning and enforcing the attendance of persons and examining them on oath;

(*c*) inspection of any books, registers and other documents of a securities markets service provider or an issuer, at any place; and

(*d*) issuing commissions for the examination of witnesses or documents.

Search and seizure.

15. (*1*) Where in the course of an investigation, the Investigating Officer has reasonable grounds to believe that the books, registers, other documents and records of, or relating to, any person, may be destroyed, mutilated, altered, concealed, falsified or secreted, the Investigating Officer may make an application to the Special Court for seizure of such books, registers, other documents and record.

(*2*) After considering the application and hearing the Investigating Officer, if necessary, the Special Court may, by order, authorise the Investigating Officer or any person authorised by him during the investigation—

(*a*) to enter, with such assistance, as may be required, the place or places where such books, registers, other documents and records are kept;

(*b*) to search that place or those places in the manner specified in the order; and

(*c*) to seize books, registers, other documents and record, as he considers necessary for the purposes of the investigation:

Provided that the Special Court shall not authorise seizure of books, registers, other documents and record, of any issuer, not being an intermediary, unless such issuer indulges in market abuse referred to in section 93.

(*3*) The Investigating Officer may requisition the services of any police officer or any officer of the Central Government, or of both, to assist him for all or any of the purposes specified in sub-section (*2*) and it shall be the duty of every such officer to comply with such requisition.

(*4*) The Investigating Officer shall keep in his custody the books, registers, other documents and record seized under this section for such period as he considers necessary, not later than the conclusion of the investigation and thereafter shall return the same to the person from whose custody or power those were seized under sub-section (*2*) and inform the Special Court of such return:

Provided that the Investigating Officer may, before returning such books, registers, other documents and record as aforesaid, place identification marks on them or any part thereof.

(*5*) Save as otherwise provided in this section, every search or seizure made under this section shall be carried out in accordance with the provisions of the Bharatiya Nagarik Suraksha Sanhita, 2023. 46 of 2023.

Bar on initiation of inspection or investigation.

16. (*1*) The Board shall not direct,—

(*a*) an inspection under section 12; or

(*b*) an investigation under section 13,

for default or contravention of any provisions of this Code or rules or regulations made thereunder, after the expiry of a period of eight years from the date of default or contravention:

Provided that the Board may direct inspection or investigation after the period specified above, in the event of a matter being referred to it by an investigating agency or if in the opinion of the Board, the default or contravention had or may have a systemic impact on the securities markets.

(*2*) In case of a continuing default or contravention, a fresh period under sub-section (*1*) shall begin to run at every moment of the time during which the default or contravention continues.

(*3*) If more than one default or contravention is committed in a series of connected acts forming the same transaction and such default or contravention are committed at different times, the period under sub-section (*1*) for these defaults or contraventions shall be deemed to have begun from the date of the last default or contravention.

Power of Board to designate adjudicating officer.

17. (*1*) Subject to sub-section (*2*), where the Board, after consideration of—

(*a*) the findings of the inspection made under section 12;

(*b*) the investigation report, together with any supplementary report, received under section 13,

and any other information, if any, is of the opinion that there are sufficient grounds to pass an order under section 20, it may designate one or more persons from amongst its Chairperson, whole-time Members or any other officer not below such rank of a Division Chief, as may be specified by regulations, to act as an adjudicating officer for the purposes of this Chapter.

(*2*) No person shall be designated as an adjudicating officer, if he has—

(*a*) authorised the initiation of the inspection or investigation, which is the basis for issuance of a show cause notice to a person in that matter; or

(*b*) been involved in the conduct of the inspection or investigation, which is the basis for issuance of a show cause notice to a person or assisted in the conduct of such processes in that matter; or

(*c*) considered the findings of the inspection or investigation in that matter and decided to appoint the adjudicating officer for adjudication under this Chapter; or

(*d*) considered any settlement application filed by a person to whom a show cause notice is to be issued in that matter; or

(*e*) passed an interim order under sub-section (*2*) of section 27.

(*3*) Where a person is designated as an adjudicating officer under sub-section (*1*), he shall not—

(*a*) conduct the inspection or investigation in respect of the person to whom the adjudicating officer has issued a show cause notice until the final disposal of the matter relating to such show cause notice; and

(*b*) consider or take a decision on any settlement application filed by a person to whom the adjudicating officer has issued a show cause notice.

(*4*) The adjudication proceedings shall be conducted in such manner as may be specified by regulations.

Power of adjudicating officer.

18. (*1*) For the purposes of adjudication under this Code, the adjudicating officer shall issue a show cause notice to the person concerned specifying the nature of the default or contravention alleged to have been committed, the period for reply to such notice, and enclose such relevant documents and particulars as may be specified by regulations.

(*2*) The person to whom a show cause notice has been issued under sub-section (*1*), shall submit the reply in writing along with evidence in support, if any, within such period as specified therein.

(*3*) If the noticee fails to show cause within the period specified therein, the adjudicating officer shall proceed to adjudicate the matter *ex parte*.

(*4*) Notwithstanding anything contained in any other law for the time being in force, the adjudicating officer shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 while trying a suit, in respect of the following matters, namely:—

5 of 1908.

(*a*) the discovery and production of books of account and other documents, at such place and time as may be specified by adjudicating officer;

(*b*) summoning and enforcing the attendance of persons and examining them on oath;

(*c*) inspection of any books, registers and other documents of a securities markets service provider or an issuer, at any place; and

(*d*) issuing commissions for the examination of witnesses or documents.

Factors for adjudication.

19. The adjudicating officer shall have due regard to the following factors before making any order under section 20, namely:—

(*a*) the order shall be proportionate to the default or contravention committed by the noticee and act as a deterrent against the commission of such default or contravention by the noticee or any other person in future;

(*b*) the nature, seriousness and impact of the default or contravention, including,—

(*i*) whether the contravention was deliberate, reckless or negligent;

(*ii*) duration and frequency or repetitive nature of the default or contravention;

(*iii*) unlawful gains made or likely to be made as a result of the default or contravention;

(*iv*) loss caused or likely to be caused to an investor or group of investors as a result of the default or contravention; or

(*v*) the impact of the default or contravention on the integrity of the securities markets;

(*c*) conduct of the noticee after the default or contravention, including—

(*i*) bringing to the notice of the Board, the default or contravention within a reasonable time;

(*ii*) remedial or preventive measures taken in respect of the default or contravention;

(*iii*) extent of cooperation with the Board during the inspection, investigation or adjudication;

(*d*) past conduct of the noticee or whether the noticee fulfils the fit-and-proper criteria to render its services in the securities markets;

(*e*) action taken in previous similar cases by any adjudicating officer; and

(*f*) any other factors which the adjudicating officer may consider necessary.

Final order by adjudicating officer.

20. The adjudicating officer shall, on receipt of the reply to the show cause notice and after considering all the relevant materials on record, by an order, either dismiss the show cause notice if no cause exists, or if sufficient cause exists take one or more of the following actions, namely:—

(*a*) suspend or cancel the certificate of registration granted under this Code;

(*b*) issue appropriate directions or warnings under section 23;

(*c*) pass an order under section 24;

(*d*) direct disgorgement under section 25; or

(*e*) impose penalty under sections 97 to 109:

Provided that no order shall be passed unless the person concerned has been given an opportunity of being heard in the matter.

Board to call for records.

21. (*1*) The Board may, call for and examine the record of any proceedings under this section within a period of thirty days from the date of the order passed by the adjudicating officer under section 20, and if it considers that such order is not in the interest of the securities markets, it may, after making or causing to be made such inquiry as it deems necessary, pass an order enhancing the quantum of penalty or the severity of any direction, if the circumstances of the case so justify:

Provided that no such order shall be passed unless the person concerned has been given an opportunity of being heard in the matter:

Provided further that the Board shall not call for the records and pass an order, where an appeal has been filed and disposed of under section 85.

(*2*) The Board shall pass an order within a period of four months from the date of calling for the record of any proceedings under this section.

(*3*) The provisions of sub-sections (*2*) and (*3*) of section 17 shall, *mutatis mutandis*, apply to sub-sections (*1*) and (*2*).

Power of adjudicating officer or Board to rectify order.

22. The adjudicating officer or the Board may, on his or its own motion or on a request made by any of the aggrieved party, modify an order passed under section 20 or section 21, as the case may be, to rectify any error apparent on the face of the record, within a period of thirty days from the date of such order:

Provided that while rectifying the error, the adjudicating officer or the Board shall not modify substantive part of the order.

Power of adjudicating officer to issue directions or warnings.

23. (*1*) Where the adjudicating officer is satisfied that it is necessary—

(*a*) in the interest of investors, or orderly development of securities markets;

(*b*) to prevent the affairs of any securities markets service provider or a market participant, being conducted in a manner detrimental to the interests of investors or securities markets; or

(*c*) to secure the proper management of the persons referred to in clause (*b*),

he may issue such directions or warnings, to all or any such securities markets service provider or a market participant or any other person associated with securities markets, as deemed fit.

(*2*) The directions or warnings referred to in sub-section (*1*), may include one or more of the following actions, namely:—

(*a*) suspension of trading of any securities on a stock exchange, subject to the orderly close out;

(*b*) suspension of clearing of any contracts by any clearing corporation;

(*c*) cancelling or annulling any trades, or execution of any contract on any stock exchange in full or part, and reversing any payments made in respect thereof;

(*d*) restraining persons from accessing the securities markets and prohibiting any person associated with securities markets to buy, sell or deal in securities for such period as may be specified in the order;

(*e*) suspending any office-bearer of any market infrastructure institution or self-regulatory organisation or securities markets service provider from holding such position for such period and in such entities or class of entities as may be specified in the order;

(*f*) directing a person holding securities or rights over any securities or voting or management rights in an issuer, to divest its holdings or rights, in such manner as may be specified in the order;

(*g*) directing any securities markets service provider, market infrastructure institution or self-regulatory organisation, to divest its securities or rights, in other entities, held in contravention of the provisions of this Code or the rules or regulations made thereunder and providing the manner of such disinvestment as may be specified in the order;

(*h*) directing the transfer of any proceeds or any securities to a designated account;

(*i*) impounding and retaining the proceeds or securities in respect of any transaction under adjudication;

(*j*) pending adjudication, attach bank accounts or other property of any person involved in contravention of any of the provisions of this Code or the rules or regulations made thereunder, for a period not exceeding ninety days:

Provided that the Board shall within the said period of attachment, obtain confirmation of the same from the Special Court having jurisdiction and, on such confirmation, the attachment shall continue and upon conclusion of the said proceedings, the provisions of section 136 shall apply:

Provided further that the property, bank account or accounts or any transaction entered therein, in so far as it relates to the proceeds actually involved in the contravention of any of the provisions of this Code or the rules or regulations made thereunder shall be allowed to be attached; or

(*k*) pending adjudication, direct any person not to dispose of or alienate an asset forming part of any transaction which is under adjudication:

Provided that the adjudicating officer may, take any of the actions specified in clause (*i*) or clause (*j*) or clause (*k*), in respect of any issuer, not being an intermediary, where he has reasonable grounds to believe that such issuer has indulged in fraudulent and unfair practices or market abuse referred to in section 92 or section 93, as the case may be.

Person to cease and desist from committing contravention.

24. If the adjudicating officer, pending adjudication or on completion thereof, finds that any person has contravened, or is likely to contravene, any provisions of this Code or the rules or regulations made thereunder, he may pass an order requiring such person to cease and desist from committing or causing such contravention:

Provided that the adjudicating officer shall not pass such order in respect of any issuer, not being an intermediary, unless the adjudicating officer has reasonable grounds to believe that such issuer has indulged in market abuse referred to in section 93.

Power of disgorgement and restitution.

25. (*1*) The adjudicating officer may direct any person who has made an unlawful gain by indulging in any transaction or activity in default or contravention of any of the provisions of this Code or the rules or regulations made thereunder, to disgorge an amount equivalent to the unlawful gain made by such contravention.

(*2*) The Board may provide restitution to the persons who have been affected by the default or contravention, from the amount so disgorged under sub-section (*1*), following such procedure and such criteria for distribution of the disgorged amount and the order of priority as may be specified by regulations, if the following conditions are satisfied,—

(*a*) the loss suffered is directly attributable to the default or contravention;

(*b*) the person who suffered the loss is identifiable;

(*c*) the amount disgorged is sufficient to provide restitution to similarly placed persons; and

(*d*) such other conditions as may be specified by regulations.

Settlement of administrative and civil proceedings.

26. (*1*) Notwithstanding anything contained in any other law for the time being in force, any person,—

(*a*) who seeks to voluntarily disclose any true and vital information which may amount to a contravention of the provisions of this Code and any rules or regulations made thereunder; or

(*b*) against whom any proceedings may be initiated or have been initiated and are pending before the Board or any court or Tribunal,

may file an application in writing to the Board, proposing for settlement of the proceedings initiated or to be initiated, subject to such conditions and payment of such fee, within such time and in such manner, as may be specified by regulations.

(*2*) The Board may constitute a committee with such members on such terms and conditions for advising it for the settlement of proceedings in such manner as may be specified by regulations.

(*3*) The Board may, after taking into consideration the nature, gravity and impact of default or contravention, the advice of the committee constituted for the purpose and such other factors as may be specified by regulations, by an order, consider the proposal for settlement, on payment of such amount by the applicant and on such terms and conditions as may be determined by the Board:

Provided that where the proposal for settlement is considered by the Board during the pendency of the proceedings before a court or Tribunal, it shall place such proposal before such court or Tribunal for appropriate order.

(*4*) Where an application under sub-section (*1*) is filed after the designation of the adjudicating officer, the adjudication proceedings shall continue, but no order under section 20 shall be passed till the settlement of such application is decided by the Board, and if the proposal for settlement is,—

(*a*) agreed by the Board, the adjudicating officer shall, by an order, dismiss the show cause notice in respect of the applicant; or

(*b*) rejected by the Board, the adjudicating officer shall proceed to complete the adjudication and shall pass an order under section 20.

(*5*) If the applicant fails to comply with terms and conditions referred to in sub-section (*3*), then the proceedings shall be initiated or continued before the adjudicating officer or the Tribunal or the court, as the case may be.

(*6*) The settlement proceedings shall be conducted in such manner as may be specified by regulations.

(*7*) No appeal shall lie to the Tribunal under section 85 against any order passed under this section.

(*8*) All settlement amounts, excluding the disgorgement amount and legal costs, realised under this Code shall be credited to the Consolidated Fund of India in such manner as may be prescribed.

Power of Board and adjudicating officer to pass interim order.

27. (*1*) The Board may, for the purpose of passing an interim order authorise the Chairperson, a whole-time Member or an officer not below the rank of Division Chief, if,—

(*a*) pending inspection under section 12 or investigation under section 13;

(*b*) upon completion of inspection under section 12 or investigation under section 13 but the adjudicating officer has not been designated under section 17,

it has reasonable grounds to believe that the person being inspected or investigated is taking or is about to take any action which—

(*i*) contravenes the provisions of this Code or the rules or regulations made thereunder;

(*ii*) may prevent the person from conducting inspection or investigation; or

(*iii*) may adversely affect the conduct of adjudication:

Provided that no person shall be authorised to pass an interim order in any matter, if such person is conducting or has conducted inspection or investigation in such matter.

(*2*) The person authorised under sub-section (*1*) or where the adjudication proceeding is pending, the adjudicating officer, as the case may be, may, pass an interim order, for reasons to be recorded in writing, if he has reasonable grounds to believe that if no such order is passed,—

(*i*) the interests of investors or securities markets shall be adversely affected;

(*ii*) the person conducting inspection or the Investigating Officer shall not be able to carry out pending inspection or investigation, as the case may be; or

(*iii*) the final order to be passed by the adjudicating officer under section 20 cannot be enforced due to change of circumstances:

Provided that no order shall be passed unless an opportunity of being heard is given to the person concerned:

Provided further that in cases of urgency, where the object of granting the interim order is likely to be defeated by delay, the requirement of providing an opportunity of being heard before passing an order may be dispensed with for reasons to be recorded in writing, and the concerned person shall be given an opportunity of being heard as soon as practicable thereafter.

(*3*) The interim order shall be valid for a period not exceeding one hundred and eighty days.

(*4*) On the expiry of the period specified in sub-section (*3*), if the inspection or investigation has not been completed or the inspection or investigation is completed but an adjudicating officer has not been designated or the adjudication is pending, as the case may be, and an extension of the interim order is sought, the Board may designate not more than three persons from amongst its Chairperson and whole-time Members, who, if satisfied, may extend such interim order in writing for a further period not exceeding two years.

(*5*) The provisions of sections 23 and 24 shall, *mutatis mutandis* apply to all the proceedings for passing an interim order.

CHAPTER IV

REGISTRATION OF INTERMEDIARIES AND OTHER PERSONS, INVESTMENT SCHEMES AND RELATED MATTERS

Registration of intermediaries, etc.

28. (*1*) No person shall carry on its business as an intermediary or a self-regulatory organisation or sponsor or cause to be sponsored or carry on or cause to be carried on any pooled investment vehicle or any investment scheme unless it is registered with the Board under this Code.

(*2*) Any person desirous of being registered under this Chapter, shall make an application to the Board in such form and manner, subject to such criteria and accompanied by such fee, as may be specified by regulations:

Provided that if the application is found to be defective, the Board may return the application for rectification, if rectifiable, within such period as may be specified by regulations.

(*3*) On receipt of an application under sub-section (*2*), the Board, on being satisfied that the application fulfils the requirements referred to in sub-section (*2*), may grant a certificate of registration to the applicant for such period, in such form and manner, subject to such terms and conditions, and within such period as may be specified by regulations:

Provided that the applicant who has been granted a certificate of registration under this sub-section, shall comply with such additional conditions as may be specified by regulations from time to time.

(*4*) No application for the grant of registration under this section shall be rejected, without giving an opportunity of being heard to the applicant and the reasons for such refusal shall be communicated to the applicant in writing.

Surrender, suspension and cancellation of certificate of registration.

29. (*1*) Any person who has been issued a certificate of registration under section 28 may apply to the Board for surrender of such certificate in such form and manner, subject to such conditions as may be specified by regulations, and the Board may,—

(*a*) by an order revoke the registration, if it is satisfied that such certificate may be surrendered; and

(*b*) impose any conditions to be fulfilled by the applicant before the certificate of registration is surrendered:

Provided that no conditions which are prejudicial to the applicant shall be imposed before giving him an opportunity of being heard.

(*2*) Without prejudice to sub-section (*1*), the adjudicating officer may suspend or cancel the certificate of registration under clause (*a*) of section 20, for such period as may be specified by regulations, on any of the following grounds, namely:—

(*a*) the person has not fulfilled the conditions of registration or has failed to comply with any specified criteria for obtaining the certificate of registration;

(*b*) the person has obtained the certificate of registration by making a false statement or misrepresentation or by any other unlawful means;

(*c*) the person has contravened the provisions of this Code or the rules or regulations or bye-laws made thereunder; or

(*d*) any other grounds as may be specified by regulations:

Provided that no order shall be made under this section unless the applicant has been given an opportunity of being heard.

Registration of investors.

30. (*1*) The Board may register such class or classes of investors as may be specified by regulations and no such person shall carry on its investment activity or business without such registration.

(*2*) The provisions of sections 28 and 29 shall, *mutatis mutandis*, apply in relation to registration of the persons referred to in sub-section (*1*).

Board to delegate power of registration.

31. (*1*) The Board may, delegate the power of registration of any class or classes of intermediaries or investors to a market infrastructure institution or a self-regulatory organisation, by an order in writing, subject to such conditions, if any, specified therein.

(*2*) The provisions of sections 28 and 29 shall, *mutatis mutandis*, apply for such registration under sub-section (*1*).

(*3*) The market infrastructure institution or a self-regulatory organisation to whom the power has been delegated under sub-section (*1*), shall,—

(*a*) maintain standards of fairness and confidentiality while exercising such delegated powers; and

(*b*) not refuse to grant a certificate of registration to a person, except by an order, after giving him an opportunity of being heard.

(*4*) Where the market infrastructure institution or the self-regulatory organisation refuses to grant a certificate of registration to any person, such person may apprise the Board of such refusal in writing, and the Board may issue appropriate directions in the matter.

Investment schemes.

32. (*1*) Any scheme or arrangement, the purpose or effect of which is to enable persons taking part in the same, whether by becoming owners of any asset or any part of it or otherwise, to participate in or receive beneficial interest in the form of profits or income or dividend or any produce or benefit arising from the acquisition, holding, management or disposal of any asset or sums paid out of such profits or income or dividend or produce or benefit, and where,—

(*a*) the persons participating in such scheme or arrangement do not have day-to-day control over the management of such assets, irrespective of whether or not they have the right to be consulted or to give directions; and

(*b*) the scheme or arrangement has the following characteristics,—

(*i*) the contribution of the persons participating in such scheme or arrangement and the profits or income or dividend or any produce or benefit out of which payments to be made to such person are pooled;

(*ii*) the contribution of the persons participating in such scheme or arrangement or the asset acquired using the contributions is managed as a whole by some person on behalf of the persons participating in such scheme or arrangement; and

(*iii*) the arrangement is not regulated by any other regulatory authority,

shall be an investment scheme.

(*2*) The following schemes and arrangements shall not be treated as investment schemes—

(*a*) being made or offered by a co-operative society registered under the Co-operative Societies Act, 1912 or a society registered or deemed to be registered under any law relating to the co-operative societies for the time being in force in any State; or 2 of 1912.

(*b*) being deposits which are accepted by a non-banking financial company as defined in clause (*f*) of section 45-I of the Reserve Bank of India Act, 1934; or 2 of 1934.

(*c*) being a contract of insurance to which the Insurance Act, 1938, applies; or 4 of 1938.

(*d*) being any Scheme, Pension Scheme or the Insurance Scheme made under the Employees Provident Fund and Miscellaneous Provisions Act, 1952; or 19 of 1952.

(*e*) being a deposit as defined in clause (*31*) of section 2 of the Companies Act, 2013 are accepted; or 18 of 2013.

(*f*) being deposits which are accepted by a company declared as a *Nidhi* or a Mutual Benefit Society under section 406 of the Companies Act, 2013; or 18 of 2013.

(*g*) being a chit business as defined in clause (*e*) of section 2 of the Chit Fund Act, 1982; or 40 of 1982.

(*h*) being deposits which are accepted for the purpose of real estate project as defined in clause (*zn*) of section 2 of the Real Estate (Regulation and Development) Act, 2016; or 16 of 2016.

(*i*) being a unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a component of investment besides the component of insurance issued by an insurer as defined in clause (*9*) of section 2 of the Insurance Act, 1938; or 4 of 1938.

(*j*) such other schemes or arrangements which the Central Government may, in consultation with the Board, notify.

(*3*) The investment schemes shall be conducted, operated or promoted including the matters relating to the contribution or subscription made by an investor in such manner as may be specified by regulations.

Pooled investment vehicles.

33. (*1*) A pooled investment vehicle means a fund established in respect of an investment scheme, in the form of a trust or otherwise, such as a mutual fund, an alternative investment fund, a real estate investment trust, an infrastructure investment trust or such other fund, which raises or collects money from investors and invests such funds in such manner as may be specified by regulations.

(*2*) Notwithstanding anything contained in the Indian Trusts Act, 1882 or in any other law for the time being in force or in any judgment, decree or order of any court, tribunal or any other authority, a pooled investment vehicle, whether constituted as a trust or otherwise, and registered with the Board, shall be eligible to borrow and issue debt securities in such manner and to such extent as may be specified by regulations. 2 of 1882.

(*3*) Every pooled investment vehicle referred to in sub-section (*2*) shall, subject to the provisions of the trust deed, be permitted to provide security interest to lenders in terms of the facility documents entered into by such pooled investment vehicle.

(*4*) Where any pooled investment vehicle referred to in sub-section (*2*), defaults in repayment of principal amount or payment of interest or any such amount due to the lender, the lender shall recover the defaulted amount and enforce security interest, if any, against the trust assets, by initiating proceedings against the trustee acting on behalf of such pooled investment vehicle in accordance with the terms and conditions specified in the facility documents:

Provided that on initiation of the proceedings against the trust assets, the trustee shall not be personally liable and his assets shall not be utilised towards recovery of such debt.

(*5*) The trust assets, which remain after recovery of defaulted amount, shall be remitted to the unit holders on a proportionate basis.

Intermediary.

34. (*1*) An intermediary shall facilitate or provide services related to the issue, sale, purchase or any dealings in securities in such manner as may be specified by regulations.

(*2*) A stock broker shall charge brokerage, deliver securities and make payment to the investor in such manner and within such period as may be specified by regulations.

(*3*) The Board may, if required, notify a new category of intermediary for the development of securities markets.

Obligation of securities markets service provider, market participant, etc.

35. (*1*) The securities markets service provider shall make fair disclosure of such information and at such frequency as may be specified by regulations.

(*2*) The securities markets service provider, market participant or a person associated with securities markets shall furnish such information to the Board in such manner as may be specified by regulations.

(*3*) The securities markets service provider shall invest money collected by it in such manner and within such period as may be specified by regulations.

Governing norms of self-regulatory organisations.

36. (*1*) The Board shall approve the governing norms of a self-regulatory organisation.

(*2*) The governing norms of a self-regulatory organisation shall provide for the governance and operation of any contracts or agreements between them and their members including norms relating to the internal constitution and management of their affairs.

CHAPTER V

REGISTRATION AND REGULATION OF MARKET INFRASTRUCTURE INSTITUTION

Registration of market infrastructure institution.

37. (*1*) No person shall carry on its business as a market infrastructure institution, unless it is registered with the Board under this Code.

(*2*) Any person desirous of being registered as a market infrastructure institution shall make an application to the Board in such form and manner and accompanied by such fee, as may be specified by regulations, including a copy of the bye-laws referred to in section 39 for the regulation and control of contracts and a copy of documents relating in general to the constitution of the market infrastructure institution and in particular to,—

(*a*) the governing body of such market infrastructure institution, its constitution and powers of management and the manner in which its business is to be transacted;

(*b*) the powers and duties of the office bearers of the market infrastructure institution;

(*c*) the admission into the market infrastructure institution of various classes of members, the qualifications for membership, and the exclusion, suspension, expulsion and re-admission of members therefrom or thereinto;

(*d*) the procedure for the registration of partnerships as members of the market infrastructure institution in cases where the rules provide for such membership; and

(*e*) the nomination and appointment of authorised representatives and clerks.

(*3*) If the Board is satisfied, after making such inquiry as may be necessary in this behalf and after obtaining such other information, if any, as it may require that,—

(*a*) the bye-laws of the market infrastructure institution are in conformity with such conditions as may be specified by regulations, with a view to ensure fair dealing and to protect the interest of investors;

(*b*) the applicant is willing to comply with any other conditions, including conditions regarding its members, which the Board, after consultation with the governing board of the applicant and having regard to its standing and the nature of the securities dealt with by it, may impose for the purpose of carrying out the objects of the Code; and

(*c*) it shall be in the interest of trade and also in public interest to grant registration,

it may grant registration to the applicant in such form and subject to such conditions as may be specified by regulations:

Provided that if the application is found to be defective, the Board may return the application for rectification, if rectifiable, within such period as may be specified by regulations.

(*4*) Every grant of registration to a market infrastructure institution under this section shall be notified by the Board, and such registration shall have effect from the date of its notification.

(*5*) No application for registration under this section shall be refused unless an opportunity of being heard is given to the applicant and the reasons for such refusal shall be communicated in writing.

Cancellation of registration or suspension of business.

38. (*1*) Without prejudice to clause (*a*) of section 20, if the Board is of the opinion that the registration granted to a market infrastructure institution under sub-section (*4*) of section 37, in the interest of trade or in public interest be cancelled, the Board may by order cancel the registration in such manner as may be specified by regulations, and it shall notify cancellation of such certificate of registration:

Provided that no order shall be made unless the applicant has been given an opportunity of being heard.

(*2*) No cancellation under sub-section (*1*) shall affect the validity of any contract entered into or made before the date of the notification, and the Board may after consultation with the market infrastructure institution, make such provisions as it deem fit in the notification of cancellation or in any subsequent notification for the due performance of any contracts outstanding on that date.

(*3*) Without prejudice to sub-section (*1*), if in the opinion of the Board an emergency has arisen and the Board considers it expedient for the purpose of meeting the emergency, it may by notification and for reasons to be specified therein, direct a market infrastructure institution to suspend such of its business for such period not exceeding ninety days, subject to such conditions specified therein, and, if, in the opinion of the Board, the interest of trade or public interest requires that the period should be extended, it may, by a similar notification extend the said period for a further period of ninety days:

Provided that where the period of suspension is to be extended beyond the first period, no notification extending the period of suspension shall be issued, unless the governing board of the market infrastructure institution has been given an opportunity of being heard in the matter.

Power of market infrastructure institution to make bye-laws.

39. (*1*) A market infrastructure institution may, subject to the previous approval of the Board, make bye-laws consistent with the provisions of this Code and any rules or regulations made thereunder, for the regulation and control of contracts and conduct of its members and market participants.

(*2*) In particular, and without prejudice to the generality of the foregoing powers, such bye-laws may provide for the following matters, namely:—

(*a*) the appropriate mechanisms for safeguarding the interests of any investors in securities and beneficial owners thereof;

(*b*) the manner of holding, custody, pledging, hypothecation, lending, borrowing, issue, transfer, trading, transmission, conversion, transformation, consolidation, switching, clearing, delivery, settlement and other dealings in securities;

(*c*) the risk management and abuse prevention measures such as imposition of margins, position and price limits, circuit breakers, collateral management, auction of short positions, order restrictions, account suspensions, server placement and other technical requirements;

(*d*) the particular bye-laws, the contravention of which shall make a contract entered into otherwise than in accordance with the bye-laws void under section 47;

(*e*) the terms and conditions for accessing any services provided by the market infrastructure institution;

(*f*) the listing of securities, the inclusion of any security for the purpose of dealings and the suspension or withdrawal of any such securities, and the suspension or prohibition of trading in securities;

(*g*) the procedure for disbursing of interest, dividend, bonus and other monetary benefits arising from the holding, transfer, or any dealings in securities;

(*h*) the norms of fair and time-bound disclosure of material information by issuers;

(*i*) the internal control standards such as audits, review and monitoring;

(*j*) the *inter se* rights and obligations of members and market participants;

(*k*) the terms, conditions and incidents of contracts, including the prescription of margin requirements, if any, and the conditions relating thereto, and the forms of contracts in writing;

(*l*) the content, form and manner of executing member-client agreements;

(*m*) the measures relating to regulation of fees charged by members, dealings by members for their own account, maintenance of separation of client funds and securities;

(*n*) the process of accrediting or empanelling persons providing services in connection with any dealings in securities;

(*o*) the procedure for conveying information to members and market participants;

(*p*) the levy and recovery of fees and penalties;

(*q*) the conduct of inspections, filing of information and such other matters in relation to regulation of its members;

(*r*) the obligations of members to supply such information or explanation and to produce such documents relating to their business as may be sought by the market infrastructure institution;

(*s*) the procedure for the settlement of claims or disputes or grievances including settlement by mediation or arbitration including through electronic means;

(*t*) the manner of conducting proceedings against the members and market participants for committing breach of the bye-laws and provisions for suspension, expulsion of members and market participants and cancellation of agreements with the market infrastructure institution;

(*u*) such other matters as may be specified by regulations.

(*3*) The bye-laws of a market infrastructure institution shall endeavour to,—

(*a*) promote the objects of this Code;

(*b*) ensure non-discriminatory access to similarly placed persons using its services;

(*c*) minimise market abuse, fraudulent and unfair practices related to the securities markets;

(*d*) foster transparency; and

(*e*) ensure interoperability with other market infrastructure institutions.

Explanation.—For the purposes of this sub-section, the expressions,—

(*i*) "non-discriminatory access" means not creating differential obligations for similarly placed persons or not preventing similarly placed persons from availing a service provided by the market infrastructure institution; and

(*ii*) "transparency" means that adequate information about the functions and transactions carried out on the market infrastructure institution is available to all the persons availing the services provided by it to enable them to make informed decisions about their transactions.

(*4*) Any bye-laws made under this section shall be subject to public consultation and be approved and notified by the Board:

Provided that the Board in the interest of trade or in public interest may, by an order and for the reasons to be recorded in writing, dispense with the condition of public consultation.

(*5*) The Board may either on a request in writing received by it from the governing board of a market infrastructure institution or on its own motion, may after consultation with the governing board, make or amend bye-laws for all or any of the matters specified in sub-section (*2*), after recording the reasons thereof.

Power of Board to direct bye-laws to be made or to make bye-laws.

40. (*1*) Where, after consultation with the governing bodies of market infrastructure institution generally or with the governing body of any market infrastructure institution in particular, the Board is of the opinion that it is necessary or expedient so to do, it may, by order in writing together with a statement of the reasons therefor, direct market infrastructure institution generally or any market infrastructure institution in particular, as the case may be, to make any bye-laws or to amend any bye-laws already made in respect of all or any of the matters specified in sub-section (*2*) of section 39 within a period of two months from the date of the order.

(*2*) If any market infrastructure institution fails or neglects to comply with any order made under sub-section (*1*) within the period specified therein, the Board may make the bye-laws or amend the bye-laws made by the market infrastructure institution either in the form proposed in the order or with such modifications thereof, as may be agreed to between the market infrastructure institution and the Board.

(*3*) Where in pursuance of this section any bye-laws have been made or amended, the bye-laws so made or amended shall be published in the Official Gazette, and, on the publication thereof, the bye-laws so made or amended shall, notwithstanding anything to the contrary contained in the Companies Act, 2013, or in any other law for the time being in force, have effect, as if they had been made or amended by the market infrastructure institution.

18 of 2013.

Action for contravention of bye-laws.

41. (*1*) Where a member contravenes any provision of the bye-laws, the market infrastructure institution may, by an order take one or more of the following actions against such member, namely:—

(*a*) impose penalty;

(*b*) expel from membership;

(*c*) suspend from membership for a period specified therein;

(*d*) annul any transactions or contracts;

(*e*) direct to pay compensation to the affected party;

(*f*) suspend or freeze account, collaterals, or security deposits under the management of market infrastructure institution; and

(*g*) any other similar action not involving the payment of money:

Provided that before passing an order under clauses (*b*) to (*g*), an opportunity of being heard shall be given to such member.

(*2*) The market infrastructure institution shall have the mechanisms to,—

(*a*) monitor and identify contravention of the provisions of this Code and the rules or regulations or bye-laws made thereunder;

(*b*) inform the Board of any such contraventions;

(*c*) take measures including imposition of penalty, against such member or market participant who contravenes the bye-laws;

(*d*) undertake such other matters,

as may be specified by regulations.

Ownership norms of market infrastructure institution.

42. (*1*) A market infrastructure institution shall have diversified ownership by way of shareholding, subject to the following conditions,—

(*a*) the members of a market infrastructure institution shall not collectively own more than such percentage of the equity shareholding in market infrastructure institution;

(*b*) such maximum ownership interest is held by a class or classes of persons in a market infrastructure institution;

(*c*) such percentage of the total equity shareholding in a market infrastructure institution is held by a person;

(*d*) such ownership interest of different class or classes of persons is calculated and the manner of calculation thereof;

(*e*) such levels of cross holding of a market infrastructure institution in other market infrastructure institutions and the acquisition or takeover or merger or consolidation of business amongst market infrastructure institution;

(*f*) such period within which compliance of the ownership norms, may be achieved; and

(*g*) such other diversified ownership norms,

as may be specified by regulations.

(*2*) A market infrastructure institution shall be managed in such manner that,—

(*a*) the members of the governing board are eligible and qualified, and meet the fit and proper criteria;

(*b*) the independent members are appointed on the governing board;

(*c*) any class or classes of market participants or users are appointed on the governing board; and

(*d*) other appropriate measures are undertaken for ensuring good governance to avoid any conflict of interest,

as may be specified by regulations.

(*3*) A market infrastructure institution shall be a company limited by shares and shall be demutualised in such manner as may be specified by regulations.

Explanation.—For the purposes of this sub-section, the expressions,—

(*i*) "company limited by shares" shall have the same meaning as assigned to it in clause (*22*) of section 2 of the Companies Act, 2013; 18 of 2013.

(*ii*) "demutualised" means segregation of the ownership and management from the trading rights or clearing rights, or such other operational rights of the members of a market infrastructure institution, as the case may be.

(*4*) The provisions of this section shall apply notwithstanding anything to the contrary contained in the Competition Act, 2002 or the Companies Act, 2013. 12 of 2003. 18 of 2013.

Annual report.

43. A market infrastructure institution shall furnish a copy of its annual report and other information to the Board in such manner as may be specified by regulations.

Power of Central Government to supersede.

44. (*1*) Without prejudice to any other powers vested in the Central Government under this Code, where the Central Government, on the recommendation of the Board, is of the opinion that the governing board of a market infrastructure institution or a self-regulatory organisation should be superseded, then, notwithstanding anything contained in any other law for the time being in force, it may serve on the governing board a written notice that it is considering the supersession of the governing board for the reasons specified in the notice and after giving an opportunity of being heard, it may, by notification, declare the governing board of such market infrastructure institution or self-regulatory organisation to be superseded, and may appoint any person or persons to exercise and perform all the powers and duties of the governing board, and, where more persons than one person are appointed, may appoint one of such persons to be the chairperson and another to be the vice-chairperson thereof.

(*2*) On the publication of a notification under sub-section (*1*), the following consequences shall ensue, namely:—

(*a*) the members of the governing board which has been superseded shall, from the date of supersession, cease to hold office as such members;

(*b*) the person or persons appointed under sub-section (*1*) may exercise and perform all the powers and duties of the governing board which has been superseded; and

(*c*) all such property of the market infrastructure institution or the self-regulatory organisation shall vest in such person or persons under sub-section (*1*) as being necessary for the purpose of enabling him or them to carry on the business of the market infrastructure institution or self-regulatory organisation.

(*3*) On the supersession of the board of a market infrastructure institution or self-regulatory organisation under sub-section (*1*), the person or persons appointed shall hold office for such period as may be specified in the notification and the Central Government may from time to time, by like notification, vary such period.

(*4*) The Central Government may at any time before the determination of the period of office of any person or persons appointed under this section, call upon the market infrastructure institution or the self-regulatory organisation to re-constitute the governing board in accordance with its bye-laws and on such re-constitution, all the property of the market infrastructure institution or self-regulatory organisation which has vested in, or was in the possession of, the person or persons appointed under sub-section (*1*), shall re-vest or vest, as the case may be, in the governing board so re-constituted:

Provided that until a governing board is so re-constituted, the person or persons appointed under sub-section (*1*) shall continue to exercise the powers and perform the duties.

CHAPTER VI

REGULATION OF CONTRACTS

Contracts to be illegal in certain circumstances.

45. (*1*) Unless otherwise permitted under this Code and the rules or regulations made thereunder or any other law for the time being in force, every contract for sale or purchase of securities, which is entered into otherwise than between members of a stock exchange or stock exchanges or through or with such member, shall be illegal:

Provided that the Central Government may notify any contract, which may be entered into otherwise than between members of a stock exchange or stock exchanges or through or with such member, to be legal.

(*2*) Any contract entered into between members of two or more stock exchanges shall—

(*a*) be subject to such terms and conditions as may be specified by the respective stock exchanges with the prior approval of the Board; and

(*b*) require prior permission from the respective stock exchanges, if so, specified by the stock exchanges with the prior approval of the Board.

(*3*) If the Central Government is satisfied that having regard to the nature or the volume of transactions in securities, it is necessary to prohibit contracts in certain cases, it may by notification, declare that no person shall, without the permission of the Central Government, enter into any contract for the sale or purchase of any security specified in the notification, except to the extent and in the manner, if any, specified therein.

(*4*) All contracts in contravention of the provisions of sub-section (*3*) entered into after the date of the notification issued thereunder shall be illegal.

Validity of contracts.

46. Notwithstanding anything contained in any other law for the time being in force, any contract including contracts that are traded on a stock exchange or settled on a clearing corporation shall be legal and valid, if such contracts are made in accordance with the provisions of this Code and the rules or regulations or bye-laws made thereunder.

Contracts in contravention of bye-laws to be void.

47. Any contract which is in contravention of any bye-laws of a stock exchange specified in that behalf shall be void under clause (*d*) of sub-section (*2*) of section 39 with respect to,—

(*a*) the rights of any member of the stock exchange who has entered into such contract in contravention of such bye-laws; and

(*b*) the rights of any other person who has knowingly participated in the transaction entailing such contravention:

Provided that nothing in this section shall be construed to affect the rights of a person other than a member of the stock exchange to enforce any such contract or to recover any sum under or in respect of such contract, if such person had no knowledge that the transaction was in contravention of any of the bye-laws specified in clause (*d*) of sub-section (*2*) of section 39.

Exemptions for certain contracts.

48. Notwithstanding anything contained in this Code or any other law for the time being in force, a contract for sale or purchase of or other dealings in securities falling under any one or more clauses mentioned hereunder, shall not be deemed to be illegal and nothing in this Code shall be construed as requiring any person or persons desirous of entering into such contracts to obtain prior permission of the Board,—

(*a*) a spot delivery contract;

(*b*) a non-transferable specific delivery contract;

(*c*) contracts for pre-emption including right of first refusal, or tag-along or drag-along rights or such other similar rights contained in shareholders agreements or any investor agreement or articles of association of companies or other body corporate;

(*d*) contracts in shareholders agreements or articles of association of companies or other body corporate, for purchase or sale of securities pursuant to exercise of an option contained therein to buy or sell the securities, where—

(*i*) the title and ownership of the underlying securities is held continuously by the selling party to such contract for a minimum period of one year from the date of entering into the contract;

(*ii*) the price or consideration payable for the sale or purchase of the underlying securities pursuant to exercise of any option contained therein is in compliance with the laws for the time being in force as applicable; and

(*iii*) the contract is settled by way of actual delivery of the underlying securities;

(*e*) standing agreements or arrangements for delivery or supply of commodities;

(*f*) contracts, including derivatives under the provisions of Chapter IIID of the Reserve Bank of India Act, 1934; or 2 of 1934.

(*g*) contracts between such parties relating to such matters, on such terms and conditions as the Central Government may by notification specify.

Derivatives in respect of commodity.

49. The Central Government may in consultation with the Board, notify such commodities in respect of which a derivative may be entered into or made by any person.

Non-transferable specific delivery contract, spot delivery contract and transferable specific delivery contract.

50. (*1*) If the Central Government is of the opinion that in the interest of trade or in public interest, it is expedient to regulate and control non-transferable specific delivery contracts in commodities or securities or the business of dealing in spot delivery contracts, it may, by notification, declare that all or any of the provisions of this Code shall apply to,—

(*a*) such class or classes of non-transferable specific delivery contracts in respect of such commodities or securities or class of commodities or securities;

(*b*) such class or classes of spot delivery contracts for the sale or purchase of such securities,

as may be specified therein.

Explanation.—For the purposes of this Chapter, the expressions,—

(*i*) "specific delivery contract" means a derivative which provides for the actual delivery of specific qualities or types of underlying during a stipulated future period at a price fixed thereby or to be fixed in the manner thereby agreed and in which names of both the buyer and the seller are mentioned;

(*ii*) "non-transferable specific delivery contract" means a specific delivery contract, the rights or liabilities under which or under any delivery order, railway receipt, bill of lading, warehouse receipt or any other documents of title relating thereto are not transferable;

(*iii*) "spot delivery contract" means a contract which is not executed on a stock exchange and provides for,—

(*a*) actual delivery of securities and the payment of price, either on the same day as the date of the contract or on the next day, the actual period taken for the despatch of the securities or the remittance of money through post being excluded from the computation of the period aforesaid, if the parties to the contract do not reside in the same town or locality; or

(*b*) the delivery of commodities and the payment of price, either immediately, or within such period not exceeding eleven days after the date of the contract inclusive of the actual period taken for the despatch of the commodities through post or road or any such physical means and subject to such conditions as the Central Government may notify in respect of any commodities, and where the period under such contract is not being capable of extension by the mutual consent of the parties thereto or otherwise, but shall not include such contracts performed either wholly or in part,—

(*i*) by realisation of any sum of money being the difference between the contract rate and the settlement rate or clearing rate or the rate of any offsetting contract; or

(*ii*) by any other means whatsoever, and as a result of which the actual tendering of the goods covered by the contract or payment of the full price therefor is dispensed with.

(*2*) A transferable specific delivery contract shall be subject to the provisions of this Code and shall be entered into or made on a stock exchange except for such contracts specified under Chapter IIID of the Reserve Bank of India Act, 1934. 2 of 1934.

Explanation.—For the purposes of this Chapter, "transferable specific delivery contract" means a specific delivery contract, which is not a non-transferable specific delivery contract and is subject to such conditions relating to its transferability as may be notified by the Central Government.

Prohibition of performance of contracts without registration.

51. No person shall organise or assist in organising or become a member of any association or entity in any area which provides facilities for the performance of any contracts in securities, without being registered with the Board or permitted under Chapter IIID of the Reserve Bank of India Act, 1934 or specifically exempted by the Central Government by notification. 2 of 1934.

Manner of dealing in securities through market infrastructure institution.

52. (*1*) No person shall deal in securities on a market infrastructure institution unless it is admitted as a member or a client of a member or a principal, in such manner as may be specified by regulations or bye-laws.

(*2*) No member shall in respect of any securities enter into any contract as a principal with any person other than a member, unless it has secured the consent or authority of such person and discloses in the note, the memorandum or the agreement of sale or purchase that it is acting as a principal:

Provided that where the member has secured the consent or authority of such person otherwise than in writing, he shall secure written confirmation by such person or such consent or authority within three days from the date of the contract:

Provided further that no such written consent or authority of such person shall be necessary for closing out any outstanding contract entered into by such person in accordance with the bye-laws, if the member discloses in the note, the memorandum or the agreement of sale or purchase in respect of such closing out that it is acting as a principal.

Rights of holder of securities to dividends and income in respect of securities.

53. (*1*) It shall be lawful for the holder of any security whose name appears on the books of the issuer issuing the said security to receive and retain any dividend or profit or income or return of any kind declared by the issuer in respect thereof for any year, irrespective of the said security that has already been transferred by it for consideration, unless the transferee who claims such dividend or profit or income or return from the transferor has lodged the security and all other documents relating to the transfer which may be required by the issuer, with the issuer for being registered in its name within a period of fifteen days of the date on which the dividend or profit or income or return became due.

(*2*) The period specified in sub-section (*1*) shall be extended,—

(*a*) in case of death of the transferee, by the actual period taken by his legal representative to establish his claim to the dividend or profit or income or return;

(*b*) in case of loss of the transfer deed by theft or any other cause beyond the control of the transferee, by the actual period taken for the replacement thereof; and

(*c*) in case of delay in the lodging of any security and other documents relating to the transfer due to reasons connected with the post, by the actual period of the delay.

(*3*) Nothing contained in sub-section (*1*) shall affect,—

(*a*) the right of an issuer to pay any dividend or profit or income or return which has become due to any person whose name is for the time being registered in the books of the issuer as the holder of the security in respect of which the dividend or profit or income or return has become due; or

(*b*) the right of the transferee of any security to enforce against the transferor or any other person his rights, if any, in relation to the transfer in any case where the issuer has refused to register the transfer of the security in the name of the transferee.

CHAPTER VII

HOLDING OF SECURITIES

Power of Board in respect of depository services.

54. (*1*) The powers of the Board shall extend to,—

(*a*) depository services provided by a depository; and

(*b*) any other regulated instrument, subject to such conditions and procedures as may be specified by regulations, for the issuance and holding of other regulated instrument through depositories, subject to the provisions contained in section 118.

(*2*) Nothing contained in this Chapter shall apply to Government security unless an agreement is executed to the contrary by any depository with the Government or Reserve Bank, as the case may be, under the provisions of the Government Securities Act, 2006 and the Reserve Bank of India Act, 1934.

38 of 2006.
2 of 1934.

Securities to be in dematerialised and fungible form.

55. (*1*) All securities or other regulated instrument held by a depository shall be dematerialised and in a fungible form.

(*2*) Every issuer offering securities for subscription to any person shall allot such securities in dematerialised form and every person subscribing to securities offered by an issuer shall hold such securities with a depository:

Provided that nothing shall affect the rights of a person to continue holding previously issued securities in physical form after the date of commencement of the Code unless such person intends to sell or transfer such securities, in which case, such securities shall have to be dematerialised first.

(*3*) Where securities are held with a depository under sub-section (*2*), the issuer shall inform such depository regarding the details of allotment of the security, and on receipt of such information the depository shall enter the name of the allottee as the beneficial owner of that security in its records.

(*4*) Nothing contained in sections 88 and 89 of the Companies Act, 2013, shall apply to a depository in respect of securities or other regulated instrument held by it on behalf of the beneficial owners.

18 of 2013.

Process of dematerialisation.

56. (*1*) Any person who has entered into an agreement through a depository participant, in the form specified by the bye-laws, with any depository for availing its services, shall surrender the certificate of security or other regulated instrument for which he seeks to avail the services of a depository, to the issuer of such security or other regulated instrument in such manner as may be specified by regulations.

(*2*) The issuer of such security or other regulated instrument, on receipt of certificate of security or other regulated instrument under sub-section (*1*), shall cancel such certificate or instrument and enter the name of the depository in respect of that security or other regulated instrument in its records and inform the depository within such period as may be specified by regulations.

(*3*) A depository shall, on receipt of information under sub-section (*2*), enter the name of the person referred to in sub-section (*1*) in its records, as the beneficial owner.

(*4*) A depository shall dematerialise the certificate of securities within such period as may be specified by regulations.

Depository to maintain a Register of beneficial owners.

57. Every depository shall maintain a register and an index of beneficial owners in the manner provided in section 88 of the Companies Act, 2013 and maintain any other particulars as may be specified by regulations or required by any other regulatory authority, where applicable.

18 of 2013.

Registration of transfer of security, etc.

58. (*1*) Every depository shall on receipt of information from a depository participant register the transfer of security or other regulated instrument in the name of the transferee.

(*2*) The records of a depository in respect of any security or other regulated instrument shall be conclusive proof of title of the transferee over such security or other regulated instrument, as the case may be.

(*3*) Every depository on receipt of information from a depository participant, register any transfer of security in favour of an asset reconstruction company along with or consequent upon transfer or assignment of financial asset of any bank or financial institution under sub-section (*1*) of section 5 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. 54 of 2002.

(*4*) Every depository, on receipt of information from a depository participant, register any issue of new shares in favour of any bank or financial institution or asset reconstruction company or any other assignee of such bank or financial institution or asset reconstruction company, as the case may be, by conversion of part of their debt into shares pursuant to reconstruction of debt of the company agreed between the company and the bank or financial institution or asset reconstruction company.

Explanation.—For the purposes of this section, the expressions "asset reconstruction company", "bank", and "financial institution" shall have the same meanings as assigned to them respectively in clauses (*ba*), (*c*) and (*m*) of sub-section (*1*) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. 54 of 2002.

Pledge or hypothecation of securities or other regulated instrument held through depository.

59. (*1*) Subject to such regulations and bye-laws, as may be made in this behalf, a beneficial owner may with the previous approval of the depository, create a pledge or hypothecation in respect of a security or other regulated instrument owned by it through a depository.

(*2*) Every beneficial owner shall give information of such pledge or hypothecation to the depository and such depository shall thereupon make entries in its records accordingly and such entry shall be the conclusive proof of such pledge or hypothecation, as the case may be.

Furnishing of information and records by depository and issuer.

60. (*1*) Every depository shall furnish to the issuer, information about the transfer of securities or other regulated instruments in the name of beneficial owners at such intervals and in such manner as may be provided by the bye-laws.

(*2*) Every issuer shall make available to the depository, copies of the relevant records in respect of securities or other regulated instrument held by such depository.

Rights of registered owner and beneficial owner.

61. (*1*) Notwithstanding anything contained in any other law for the time being in force, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security or other regulated instrument on behalf of a beneficial owner.

Explanation.—For the purposes of this section, the registered owner is a depository whose name has been entered as such in the register of the issuer.

(*2*) Save as otherwise provided in sub-section (*1*), the depository as a registered owner shall not have any voting rights or any other rights in respect of securities or other regulated instrument held by it.

(*3*) The beneficial owner shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of its securities or other regulated instrument held by a depository.

Rights and obligations of depository.

62. (*1*) Subject to the provisions of this Code, the rights and obligations of the depositories, depository participants and the issuers whose securities or other regulated instrument are dealt with by a depository shall be such as may be specified by regulations.

(*2*) The eligibility criteria for admission of securities or other regulated instrument into a depository and the manner of holding and transfer of such securities and other regulated instrument shall be such as may be specified by regulations.

(*3*) The manner of exercising the rights and interest in or arising from any securities or other regulated instrument held with the depository and any other connected operational or incidental matters shall be such as may be specified by regulations.

(*4*) Every depository shall maintain records relating to the beneficial owners of all securities or other regulated instrument held with it including records of clients of any depository participants in such manner as may be specified by regulations.

(*5*) Every depository shall adopt such procedures to prevent misappropriation of, or unauthorised access to, any securities or other regulated instrument held with it and shall adopt such good practices as may be specified by regulations for safeguarding the interests of the beneficial owners.

(*6*) Without prejudice to the provisions contained in any other law for the time being in force, the depository shall indemnify such beneficial owner for any loss caused to the beneficial owner due to the negligence of the depository or its member.

(*7*) Where the depository has indemnified due to the negligence of its member under sub-section (*6*), it shall have the right to recover the same from such member.

Bankers' Books Evidence Act, 1891 to apply to depositories.

18 of 1891.

63. The Bankers' Books Evidence Act, 1891 shall apply in relation to a depository as if it were a bank as defined in clause (*2*) of section 2 of that Act.

CHAPTER VIII

LISTING AND DELISTING OF SECURITIES

Public issue and listing of securities.

64. (*1*) Without prejudice to the provisions of this Code or any other law for the time being in force, no securities shall be offered to the public or listed on a stock exchange unless the issuer fulfils such eligibility criteria and complies with such requirements as may be specified by regulations.

(*2*) Every issuer intending to offer securities to the public or for listing, before issuing the offer document, shall make an application to each stock exchange for permission to list and shall comply with such conditions as may be specified by regulations.

(*3*) Where securities are listed on any stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange and such other conditions as may be specified by regulations.

(*4*) Where the permission under sub-section (*2*) has not been granted or refused, the issuer shall forthwith repay all money, if any, received from the applicant within such period and in such manner as may be specified by regulations and the issuer and every director or trustee thereof, as the case may be, who is in default shall be jointly and severally liable to repay that money.

(*5*) The Board may, by general or special order,—

(*a*) prohibit any company from issuing prospectus, any offer document, or advertisement soliciting money from the public for the issue of securities; or

(*b*) specify the conditions subject to which the prospectus, the offer document or advertisement, if not prohibited, may be issued.

Listing and disclosure requirements.

65. (*1*) The requirements for issuer in matters relating to issue of capital, minimum offer size, issue and transfer of securities, corporate governance requirements, disclosures by issuers, substantial acquisition of shares and take-over of companies, public shareholding norms, concentration norms and prudential norms, risk management and any other matters incidental thereto may be such, as may be specified by regulations.

(*2*) Without prejudice to anything contained in sub-section (*1*), the Central Government may by notification in the public interest, exempt any listed public sector company from any or all of the requirements specified in sub-section (*1*).

Explanation.—For the purposes of this sub-section, "public sector company" means a body corporate constituted by an Act of Parliament or any State Legislature and includes a Government company as defined in clause (*45*) of section 2 of the Companies Act, 2013. 18 of 2013.

Delisting of securities.

66. (*1*) An issuer may apply to stock exchange to get its securities delisted from such stock exchange in such manner as may be specified by regulations.

(*2*) Without prejudice to sub-section (*1*), a stock exchange may delist the securities of an issuer, after recording the reasons therefor, for continued contravention of any listing conditions or on any of the grounds as may be specified by regulations:

Provided that the securities of an issuer shall not be delisted unless such issuer has been given an opportunity of being heard.

Refusal for listing or delisting of securities.

67. Where a stock exchange refuses to list or delist the securities of an issuer, such stock exchange shall furnish reasons for such refusal to such issuer in writing.

CHAPTER IX

NETTING AND SETTLEMENT

Netting and settlement.

68. (*1*) Notwithstanding anything contained in any other law for the time being in force,—

(*a*) the settlement of transactions undertaken on a stock exchange or clearing corporation shall be conducted in accordance with the settlement procedure, including netting or gross settlement, as specified in the bye-laws of such stock exchange or clearing corporation, as the case may be, with the prior approval of the Board; and

(*b*) a settlement, whether gross or net, effected under clause (*a*) shall be final and irrevocable as soon as the money, securities or other assets payable is determined, whether or not such money, securities or other assets are actually paid.

(*2*) Where a trading member, a clearing member or any of their clients is declared by a court of competent jurisdiction or tribunal as insolvent or is dissolved, wound-up or resolved, or a liquidator, an interim resolution professional, a resolution professional, an administrator, receiver or assignee, by whatever name called, whether provisional or otherwise, is appointed in a proceeding relating to insolvency, resolution or dissolution or winding-up of such member, then,—

(*a*) any order of adjudication, dissolution, winding-up, or resolution, as the case may be, shall not affect any settlement that has become final and irrevocable under sub-section (*1*); and

(*b*) the right of a clearing corporation or stock exchange, as the case may be, to appropriate any collaterals or deposits or margins contributed by the said trading member or clearing member or client towards its settlement or other obligations, in accordance with the bye-laws of such stock exchange or clearing corporation, as the case may be, shall remain unaffected.

(*3*) Where an order referred to in clause (*a*) of sub-section (*2*) is made with respect to a clearing corporation or a stock exchange, as the case may be, then, irrespective of such order or anything in any other law for the time being in force, the payment obligations and settlement instructions between the clearing corporation and the clearing members including those arising from transactions admitted for settlement at a future date, shall be determined forthwith by the clearing corporation, in accordance with the gross settlement or netting procedure, as the case may be, under the bye-laws of such clearing corporation, and such determination shall be final and irrevocable.

(*4*) Notwithstanding anything contained in any other law for the time being in force, any resolution professional, liquidator, administrator, receiver or assignee, by whatever name called, of a clearing corporation, whether appointed provisionally or otherwise, shall—

(*a*) not re-open any determination that has become final and irrevocable under sub-section (*3*);

(*b*) after appropriating in accordance with the bye-laws of the clearing corporation, the collaterals provided by the clearing members towards their settlement or other obligations, return the collaterals held in excess to the clearing members concerned; and

(*c*) while distributing any assets, apply the assets in priority against the dues arising out of settlement obligations of the clearing corporation and thereafter apply the assets against third party claims.

Explanation.—For the purposes of this section, the expressions—

(*i*) "netting" means the determination by a clearing corporation of—

(*A*) net payment;

(*B*) delivery obligations of the clearing members by setting off;

(*C*) adjustment of the *inter-se* obligations, claims arising out of buying and selling of securities, including the claims and obligations arising out of the determination by the clearing corporation, a stock exchange, on the insolvency, winding-up, liquidation or resolution of any clearing member, trading member or client; or

(*D*) such other circumstances of the transactions admitted for settlement at a future date so that only a net claim be demanded, or a net obligation be owed as the clearing corporation may specify in its bye-laws;

(*ii*) "resolution professional" shall have the same meaning as assigned to it in the Insolvency and Bankruptcy Code, 2016 and "liquidator" shall have the same meaning as assigned to it in the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016.

31 of 2016.
18 of 2013.

69. A market infrastructure institution shall implement delivery arrangements in respect of contracts in securities including derivatives, in such form and manner as may be specified by regulations.

Delivery arrangements of contracts in securities.

Right of a clearing corporation shall have precedence over other right and attachments.

70. Subject to the provisions of the Insolvency and Bankruptcy Code, 2016, the right of a clearing corporation to recover its dues from the clearing members, incurred in discharge of their clearing and settlement functions from the collaterals, deposits and other assets of clearing members held by the clearing corporation for this purpose shall,— 31 of 2016.

(*a*) in case of insolvency, winding-up, liquidation or resolution, as the case may be, of such clearing member, have precedence over the rights of any other person in such insolvency, winding-up, liquidation or resolution proceedings;

(*b*) to the extent of the claims of the clearing corporation, have priority over any other attachment by any authority constituted under any law for the time being in force.

CHAPTER X

INVESTOR CHARTER AND INVESTOR GRIEVANCE REDRESSAL MECHANISMS

Investor charter.

71. The Board may make an investor charter which shall provide for the principles for protection of investors and facilitate their participation in the securities markets, and such other matters concerning the investors, in such manner as may be specified by regulations.

Investor grievance redressal mechanism.

72. (*1*) The Board may provide for an investor grievance redressal mechanism and direct securities markets service provider or issuer or its agent to provide for similar mechanisms to receive, monitor and redress investor grievances in such manner and within such period, as may be specified by regulations.

(*2*) Upon receipt of a grievance from an investor as per the mechanism provided under sub-section (*1*), the Board, the securities markets service provider, or the issuer shall, within such period as may be specified by regulations, not exceeding seven days, inform the investor about the receipt of the grievance.

Board to designate Ombudsperson to redress grievances.

73. (*1*) The Board may designate one or more of its officers as Ombudsperson to receive and redress grievances of investors under this Chapter.

(*2*) The Ombudsperson shall sit at such places having jurisdiction over such areas as the Board may notify in this behalf.

(*3*) The Ombudsperson shall redress the grievances in such manner, subject to such timelines, as may be specified by regulations.

Procedure for filing of grievance and complaint.

74. (*1*) Any investor aggrieved by the deficiency in services rendered by a securities markets service provider or any act or omission of an issuer, shall resolve his grievance through the investor grievance redressal mechanisms referred to in section 72 within a period of one hundred and eighty days from the date of first filing of such grievance.

(*2*) If the grievance of investor is not resolved within the period specified above, he may file a complaint in writing with the Ombudsperson within a period of thirty days in such form and manner as may be specified by regulations:

Provided that no complaint shall be maintainable where the investor has initiated a proceeding before any court, tribunal, or authority in respect of a matter which is directly or substantially in issue of such complaint.

Explanation.—For the purposes of this sub-section, the expression "deficiency" means any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under this Code, or any rules and regulations made thereunder, or has been undertaken to be performed by a securities markets service provider in pursuance of a contract or otherwise in relation to any service in the securities markets and includes—

(*i*) any act of negligence or omission or commission by such person which causes loss or injury to the investor; and

(*ii*) deliberate withholding of relevant information by such person to the investor.

(*3*) Any proceeding before the investor grievance redressal mechanisms under section 72 shall abate on filing of the complaint with the Ombudsperson.

Order of Ombudsperson.

75. (*1*) Where the Ombudsperson is satisfied that the averments contained in the complaint are true, he shall redress the complaint and may, by an order in writing, direct the respondent to—

(*a*) comply with its obligations;

(*b*) return the fees, charges or such other amount to the complainant, jointly or severally; or

(*c*) pay such amount as damages to the complainant as may be specified by regulations:

Provided that no order shall be passed unless the complainant and the respondent have been given an opportunity of being heard.

(*2*) Any order made under sub-section (*1*) shall be binding on the complainant and the respondent.

Ombudsperson to inform Board regarding contravention of Code.

76. At the time of redressal of complaint, if the Ombudsperson is of the opinion that the respondent has contravened any of the provisions of this Code or the rules or regulations made thereunder, he may inform the Board of such contravention.

Ombudsperson to have certain powers of civil court.

77. While exercising the powers under this Code, the Ombudsperson shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 while trying a suit, in respect of the following matters, namely:— 5 of 1908.

(*a*) discovery and inspection of documents;

(*b*) summoning and enforcing the attendance of any person and examining him on oath;

(*c*) issuing commissions for the examination of witnesses and compelling production of books of account and other records; and

(*d*) dismissing an application for default or deciding it *ex parte*.

Orders of Ombudsperson not to bar Board from taking any action.

78. No order made by the Ombudsperson shall bar the Board from taking any other action under this Code.

CHAPTER XI

SECURITIES APPELLATE TRIBUNAL

Securities Appellate Tribunal.

79. The Securities Appellate Tribunal established under section 15K of the Securities and Exchange Board of India Act, 1992 shall be deemed to be the Securities Appellate Tribunal for the purposes of this Code. 15 of 1992.

Composition of Tribunal and its Benches.

80. (*1*) The Tribunal shall consist of a Presiding Officer and such number of Judicial and Technical Members, as the Central Government may by notification determine, to exercise the powers and discharge the functions conferred on the Tribunal under this Code or any other law for the time being in force.

(*2*) Subject to the provisions of this Code,—

(*a*) the jurisdiction, powers and authority of the Tribunal may be exercised by Benches thereof;

(*b*) the Benches of the Tribunal shall ordinarily sit at Mumbai and at such other places as the Central Government may, in consultation with the Presiding Officer, notify;

(*c*) a Bench may be constituted by the Presiding Officer of the Tribunal with two or more Judicial and Technical Members as he may deem fit:

Provided that every Bench shall consist of at least one Judicial and one Technical Member:

Provided further that in the absence of a Technical Member due to vacancy, a Bench may consist of the Presiding Officer and a Judicial Member.

Explanation.—For the purposes of sub-section (*2*), unless the context otherwise requires, a reference to "Judicial Member" shall also include "Presiding Officer".

(*3*) Notwithstanding anything contained in sub-section (*2*), the Presiding Officer may transfer a Judicial or a Technical Member from one Bench to another Bench.

Appointment, qualifications, terms and conditions of service of Presiding Officer and Members.

81. (*1*) The appointment, qualifications, term of office, salaries and allowances, resignation, removal and the other terms and conditions of service of the Presiding Officer and other Members of the Tribunal shall be governed by the provisions of the law applicable to tribunals and the rules and regulations made thereunder.

Explanation.—For the purposes of sub-section (*1*), unless the context otherwise requires, "Member" means a Judicial Member and a Technical Member.

(*2*) On the date of commencement of this Code, the Presiding Officer and the Member of the Tribunal, shall continue to hold such office under the corresponding provisions of this Code till the completion of the remainder period, unless removed under the provisions of the law applicable to tribunals and the rules and regulations made thereunder.

(*3*) A Member of the Board referred to in sub-section (*1*) of section 4, or a member or part-time member of the Insurance Regulatory and Development Authority of India, the Pension Fund Regulatory and Development Authority or the International Financial Services Centres Authority, or any person at senior management level equivalent to the Executive Director of the Board or in such Authorities, shall not be appointed as Member of the Tribunal, during his service or tenure as such with the Board or with such Authorities, as the case may be, or within a period of two years from the date on which he ceases to hold office as such in the Board or in such Authorities.

Filling up of vacancies.

82. If any vacancy occurs in the office of the Presiding Officer or any other Member of the Tribunal, the Central Government shall appoint another person in accordance with the provisions of the law applicable to tribunals and the rules and regulations made thereunder to fill the vacancy and the proceedings may be continued before the Tribunal from the stage at which the vacancy is filled.

Senior-most Judicial Member to act as Presiding Officer in certain circumstances.

83. If any vacancy occurs in the office of the Presiding Officer by reason of his death, resignation or otherwise, the senior-most Judicial Member of the Tribunal shall act as the Presiding Officer until the date on which a new Presiding Officer is appointed and assumes charge.

Officers and employees of Tribunal.

84. (*1*) The Central Government shall provide the Tribunal with such officers and employees as it may deem fit.

(*2*) The officers and employees of the Tribunal shall discharge their functions under the general superintendence of the Presiding Officer.

(*3*) The salaries, allowances and other conditions of service of the officers and employees of the Tribunal shall be such as may be prescribed.

Appeal to Tribunal.

85. (*1*) Any person aggrieved by,—

(*a*) an order passed under section 20;

(*b*) an order passed under sub-section (*1*) of section 21;

(c) an order passed under sub-sections (*2*) and (*4*) of section 27;

(*d*) an order passed or a decision made under clause (*a*) of sub-section (*1*) of section 29 or sub-section (*1*) of section 38;

(*e*) an order passed under clause (*b*) of sub-section (*3*) of section 31;

(*f*) an order passed under sub-section (*1*) of section 75;

(*g*) an order passed or decision made by any market infrastructure institution; or

(*h*) an order passed by the Insurance Regulatory and Development Authority of India, the Pension Fund Regulatory and Development Authority or the International Financial Services Centres Authority,

may prefer an appeal to the Tribunal having jurisdiction in the matter.

(*2*) Without prejudice to the provisions of sub-section (*1*), an appeal may be preferred to the Tribunal in the matter by,—

(*a*) an issuer aggrieved by the decision of the stock exchange to refuse to list the securities of such company under sub-section (*4*) of section 64; or

(*b*) an issuer or an investor aggrieved by the decision of the stock exchange delisting the securities under sub-section (*2*) of section 66.

(*3*) Every appeal under sub-sections (*1*) and (*2*) shall be filed within a period of forty-five days from the date on which a copy of the order made by the Board, Insurance Regulatory and Development Authority of India, the Pension Fund Regulatory and Development Authority, the International Financial Services Centres Authority, Ombudsperson, adjudicating officer, self-regulatory organisation or market infrastructure institution, as the case may be, is received by the person aggrieved and shall be in such form, manner and be accompanied by such fee as may be prescribed:

Provided that the Tribunal may entertain an appeal after the expiry of the said period of forty-five days if it is satisfied that there was sufficient cause for not filing it within that period.

(*4*) On receipt of an appeal under sub-sections (*1*) and (*2*), the Tribunal may, after giving the parties to the appeal an opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order, decision or directions appealed against and provide a copy of such order free of cost to the parties.

(*5*) The Tribunal may, under sub-section (*4*), grant permission for listing of securities and a stock exchange shall act in conformity with the order of the Tribunal.

(*6*) The appeal filed under sub-sections (*1*) and (*2*) shall be dealt expeditiously and preferably be disposed of within a period of six months from the date of receipt of the appeal.

Procedure and powers of Tribunal.

86. (*1*) The Tribunal shall not be bound by the procedure laid down by the Code of Civil Procedure, 1908, but shall be guided by the principles of natural justice and, subject to the provisions of this Code and the rules made thereunder, shall have the powers to regulate its own procedure. 5 of 1908.

(*2*) The Tribunal shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit in respect of the following matters, namely:— 5 of 1908.

(*a*) summoning and enforcing the attendance of any person and examining him on oath;

(*b*) requiring the discovery and production of documents;

(*c*) receiving evidence on affidavits;

(*d*) issuing commissions for the examination of witnesses or documents;

(*e*) reviewing its decisions;

(*f*) dismissing an application for default or deciding it *ex parte*;

(*g*) setting aside any order of dismissal of any application for default or any order passed by it *ex parte*; and

(*h*) any other matter which may be prescribed.

(*3*) Every proceeding before the Tribunal shall be deemed to be a judicial proceeding within the meaning of sections 229 and 267, and for the purposes of section 233 of the Bharatiya Nyaya Sanhita, 2023 and the Tribunal shall be deemed to be a civil court for all the purposes of section 215 and Chapter XXVIII of the Bharatiya Nagarik Suraksha Sanhita, 2023. 45 of 2023. 46 of 2023.

(*4*) The Presiding Officer of the Tribunal may, from time to time make provisions for the distribution of the business of the Tribunal amongst the Benches thereof.

(*5*) On the application of any of the parties, the Presiding Officer may, after notice to the parties concerned, and after hearing such of them as he may deem fit, or on his own motion without such notice, transfer any case pending before one Bench to any other Bench.

(*6*) If the Members of a Bench of the Tribunal differs in opinion on any point, such point shall be decided according to the opinion of the majority, if there is a majority, but if the Members are equally divided, they shall state the point or points on which they differ and make a reference of such points to the Presiding Officer of the Tribunal who shall either hear the same himself or refer the case for hearing on such points by one or more of the other Members of the Tribunal and such point or points shall be decided by the majority of the Members of the Tribunal who have heard the case including those who first heard it.

Order constituting Tribunal to be final and not to invalidate its proceedings.

87. No order of the Central Government appointing any person as the Presiding Officer or a Member of the Tribunal shall be called in question in any manner, and no act or proceeding before the Tribunal shall be called in question in any manner on the ground merely of any vacancy or defect in the constitution of the Tribunal, as the case may be.

Right to legal representation.

88. A party may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or advocates or any of its officers to present his case before the Tribunal.

Explanation.— For the purposes of this section, the expressions—

(*a*) "advocate" shall have the same meaning as assigned to it in clause (*a*) of sub-section (*1*) of section 2 of the Advocates Act, 1961; 25 of 1961.

(*b*) "chartered accountant" shall have the same meaning as assigned to it in clause (*b*) of sub-section (*1*) of section 2 of the Chartered Accountants Act, 1949;

38 of 1949.

(*c*) "company secretary" shall have the same meaning as assigned to it in clause (*c*) of sub-section (*1*) of section 2 of the Company Secretaries Act, 1980;

56 of 1980.

(*d*) "cost accountant" shall have the same meaning as assigned to it in clause (*b*) of sub-section (*1*) of section 2 of the Cost Accountants Act, 1959.

23 of 1959.

Limitation.

36 of 1963.

89. The provisions of the Limitation Act, 1963, shall, as far as may be, apply to an appeal made to the Tribunal.

Presiding Officer, Members and staff of Tribunal to be public servants.

90. The Presiding Officer, Members and other officers and employees of the Tribunal shall be deemed to be public servants within the meaning of clause (*28*) of section 2 of the Bharatiya Nyaya Sanhita, 2023.

45 of 2023.

Appeal to Supreme Court.

91. Any person aggrieved by any decision or order of the Tribunal may file an appeal to the Supreme Court, within a period of sixty days from the date of communication of the decision or order of the Tribunal to him on any question of law arising out of such order:

Provided that the Supreme Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding sixty days.

CHAPTER XII

PROHIBITION OF FRAUDULENT OR UNFAIR PRACTICES AND MARKET ABUSE

Prohibition of fraudulent or unfair practices.

92. No person shall directly or indirectly commit any of the following fraudulent or unfair practices,—

(*a*) use or employ, in connection with the issue, purchase, sale of or any dealings in securities listed or proposed to be listed on a stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Code or the rules or regulations or bye-laws made thereunder;

(*b*) employ any device, scheme or artifice to defraud in connection with the issue or dealing in securities which are listed or proposed to be listed on a stock exchange;

(*c*) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue or dealing in securities which are listed or proposed to be listed on a stock exchange, in contravention of the provisions of this Code or the rules or regulations or bye-laws made thereunder;

(*d*) acquire control of any company or securities more than the specified percentage of equity share capital of a company whose securities are listed or proposed to be listed on a stock exchange in contravention of the regulations made under this Code;

(*e*) make any false or fraudulent entry in any record or any material and wilful omission of any statement in the record, to be prepared or submitted under the provisions of this Code or the rules or regulations or bye-laws made thereunder;

(*f*) engage in such other fraudulent or unfair practices in the securities markets as may be specified by regulations.

Prohibition of market abuse.

93. No person shall directly or indirectly commit any of the following acts of market abuse, namely:—

(*a*) engage in insider trading;

(*b*) use or employ any device, scheme or artifice to defraud the investors in the securities markets;

(*c*) deal in securities while in possession of material or non-public information or communicating such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Code or the rules or regulations or bye-laws made thereunder;

(*d*) publish or cause to publish or report or cause to report by a person dealing in securities, any false or misleading information relating to securities with the intent of artificially inflating, depressing, maintaining or causing fluctuation in the price of, supply of or demand for such securities, or creating a false or misleading impression as to the price of, supply of or demand for such securities;

(*e*) use its position to inflate, depress, maintain or cause fluctuation in the price of, supply of or demand for securities, or create a false or misleading impression as to the price of, supply of or demand for securities;

(*f*) place any order in securities, while directly or indirectly in possession of information which is not publicly available, regarding a substantial impending transaction in securities, its underlying or its derivative; or

(*g*) engage in such other activities as may be specified by regulations which adversely affects the integrity of the securities markets.

CHAPTER XIII

OFFENCES AND PENALTIES

Punishment for failure to comply orders.

94. Without prejudice to the imposition of any penalty under this Chapter, where any person—

(*a*) fails to comply with an interim order made under sub-section (*2*) of section 27; or

(*b*) fails to comply with the final order made under section 20,

he shall be punishable with imprisonment for a term which shall not be less than one month but may extend to ten years, or with fine which shall not be less than ten lakh rupees, but may extend to twenty-five crore rupees, or with both.

Punishment for failure to comply with directions of Investigating Officer.

95. Without prejudice to the imposition of any penalty under this Chapter, if any person fails without reasonable cause or refuses—

(*a*) to preserve and produce any book of accounts, registers, records, information and other documents;

(*b*) to furnish such statement or undertaking or certificate;

(*c*) to provide reasonable assistance;

(*d*) to appear personally and take oath before the Investigating Officer and answer any question put to him during such appearance;

(*e*) to sign the record of examination,

under sub-sections (*1*) and (*2*) of section 14, he shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than ten lakh rupees, but may extend to one crore rupees and also with a further fine which may extend to five lakh rupees for each day after the first day during which the failure or refusal continues, or with both.

Punishment for market abuse.

96. Without prejudice to the imposition of any penalty under this Chapter, where any person commits or attempts to commit or abets the commission of market abuse, he shall be punishable with imprisonment for a term which may extend to ten years or with fine which shall not be less than ten lakh rupees, but may extend to twenty-five crore rupees, or with both.

Penalty for failure to do certain acts.

97. If any person—

(*a*) fails to obtain certificate of registration and sponsors or carries on the activity in the securities markets without such certificate;

(*b*) fails to comply with the terms and conditions of certificate of registration;

(*c*) furnishes any false statement for the purpose of opening or operation of an account with a securities markets service provider;

(*d*) fails to make an application for listing of its schemes as specified in the regulations;

(*e*) fails to refund the application money paid by investors within the period specified in the regulations;

(*f*) fails to despatch, submit or credit any unit certificates or securities to any investor as specified in the regulations;

(*g*) fails to furnish or file any information, document, books, returns or report within the period specified therefor in the regulations, to the Board or to a stock exchange, as the case may be;

(*h*) fails to furnish or files false, incorrect or incomplete information, documents, books, return or any report;

(*i*) fails to maintain books of account or records;

(*j*) fails to enter into an agreement with its client;

(*k*) fails without reasonable cause or refuses to produce any record in its custody or power;

(*l*) fails to comply with the regulations made by the Board or bye-laws of a market infrastructure institution,

he shall be liable to a penalty specified as under,—

(*i*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than one lakh rupees but may extend to three times the amount of such unlawful gain or loss, whichever is higher;

(*ii*) if the default does not result in unlawful gain or loss, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than one lakh rupees but may extend to one lakh rupees for each day of such default, subject to a maximum of ten crore rupees.

Penalty for default by securities markets service provider.

98. If any securities markets service provider—

(*a*) fails to invest money collected by it in the manner or within the period as specified by regulations;

(*b*) fails to comply with any of the provisions of this Code, the rules or the regulations made thereunder, or directions issued by the Board or the bye-laws of a market infrastructure institution,

it shall be liable to a penalty specified as under,—

(*i*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than one lakh rupees but may extend to three times the amount of such unlawful gain or loss, whichever is higher;

(*ii*) if the default does not result in unlawful gain or loss, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than one lakh rupees but may extend to one lakh rupees for each day of such default, subject to a maximum of ten crore rupees.

Penalty for default by stock broker.

99. If any stock broker—

(*a*) fails to issue contract notes in the form and manner specified by the stock exchange of which such broker is a member;

(*b*) fails to deliver any security or fails to make payment of the amount due to the investor in the manner and within the period as specified by regulations;

(*c*) fails to segregate securities or money of the client or clients or uses the securities or money of a client or clients for self or for any other client; or

(*d*) charges an amount of brokerage which is in excess of the brokerage as specified by regulations,

he shall be liable to a penalty specified as under,—

(*i*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than one lakh rupees but may extend to three times the amount of such unlawful gain or loss, whichever is higher;

(*ii*) if the default does not result in unlawful gain or loss, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than one lakh rupees but may extend to one lakh rupees for each day of such default, subject to a maximum of ten crore rupees.

Penalty for failure to redress grievances of investors.

100. If any securities markets service provider or any issuer or its agent after being called upon by the Board in writing including by electronic means, to redress the grievances of investors, fails to redress such grievances within the period and manner as specified by regulations, it shall be liable to a penalty specified as under,—

(*a*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than one lakh rupees but may extend to three times the amount of such unlawful gain or loss, whichever is higher;

(*b*) if the default does not result in unlawful gain or loss, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than one lakh rupees but may extend to one lakh rupees for each day of such default, subject to a maximum of ten crore rupees.

Penalty for failure to dematerialise certificate of securities.

101. If any issuer or its agent or any intermediary, fails to dematerialise the certificate of securities, within such time period as specified by regulations or bye-laws or delays the process of dematerialisation of securities, it shall be liable to a penalty specified as under,—

(*a*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than one lakh rupees but may extend to three times the amount of such unlawful gain or loss, whichever is higher;

(*b*) if the default does not result in unlawful gain or loss, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than one lakh rupees but may extend to one lakh rupees for each day of such default, subject to a maximum of ten crore rupees.

Penalty for failure to reconcile records.

102. If any depository or intermediary or any depository participant or its agent or any issuer, fails to reconcile the records of dematerialised securities with all the securities issued by the issuer as specified by regulations, it shall be liable to a penalty specified as under,—

(*a*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than one lakh rupees but may extend to three times the amount of such unlawful gain or loss, whichever is higher;

(*b*) if the default does not result in unlawful gain or loss, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than one lakh rupees but may extend to one lakh rupees for each day of such default, subject to a maximum of ten crore rupees.

Penalty for other non-compliance of certain provisions.

103. If any person,—

(*a*) fails to—

(*i*) disclose the aggregate of its shareholding in the body corporate before it acquires any shares of that body corporate;

(*ii*) make a public announcement to acquire shares at a minimum price;

(*iii*) make a public offer by sending letter of offer to the shareholders of the concerned company;

(*iv*) make payment of consideration to the shareholders who sold their shares pursuant to letter of offer;

(*v*) comply with the final order under section 20;

(*vi*) comply with an interim order under section 27;

(*vii*) comply with the provisions of section 52;

(*viii*) comply with the provisions of section 58; or

(*ix*) comply with the orders of the Tribunal under section 85;

(*b*) without possessing a certificate of registration, represents, behaves, or otherwise holds itself out, in a manner which indicates that it possesses the same;

(*c*) manages, controls, assists or permits a place other than that of a stock exchange to be used for performance of contracts to be recorded or adjusted or rights or liabilities arising out of such contracts in any manner whatsoever, in contravention of the provisions of this Code;

(*d*) being a member of a stock exchange, settles any transaction of its clients *inter se* with another member or members, without executing such transactions through the stock exchange mechanism;

(*e*) not being a member of a stock exchange or its agent authorised as such under the bye-laws of such stock exchange,—

(*i*) wilfully represents to or induces any person to believe that contracts can be entered into or performed under this Code through him;

(*ii*) canvasses, advertises or touts in any manner either for himself or on behalf of any other persons for any business connected with contracts;

(*f*) joins, gathers or assists in gathering any person or persons for making bids or offers or for entering into or performing any contracts at any place other than the place of business specified in the bye-laws of a stock exchange;

(*g*) enters into any contract in contravention of section 45;

(*h*) enters into any contract in contravention of section 46;

(*i*) deals with securities in contravention of section 64;

(*j*) deals with securities in contravention of section 66;

(*k*) knowingly alters, conceals, mutilates, destroys or makes a false entry in any information, record (including electronic records), document or any tangible object, so as to impede, obstruct, or influence the examination, inquiry, investigation, audit, inspection, adjudication and a person shall be deemed to have altered, concealed, mutilated, destroyed or falsified such information, record or document if he fails to immediately report the matter to the Board or fails to preserve the same till such information continues to be relevant to any examination, inquiry, inspection, investigation, audit or adjudication, which may be initiated by the Board;

(*l*) without being authorised to do so,—

(*i*) access or tries to access, or denies access or modifies access parameters, to the regulatory data in the database;

(*ii*) downloads, extracts, copies, or reproduces in any form, the regulatory data maintained in the system database;

(*iii*) knowingly introduces any computer virus or other computer contaminant into the system database and brings out a trading halt;

(*iv*) disrupts the functioning of system database;

(*v*) knowingly damages, destroys, deletes, alters, diminishes in value or utility, or affects by any means, the regulatory data in the system database; or

(*vi*) knowingly provides any assistance to or causes any other person to do any of the acts specified in sub-clauses (*i*) to (*v*).

Explanation.—For the purposes of clause (*l*), the expressions "computer contaminant", "computer virus" and "damage" shall have the same meanings respectively assigned to them in section 43 of the Information Technology Act, 2000; 21 of 2000.

(*m*) indulges in any fraudulent or unfair practices under section 92;

(*n*) commits market abuse under section 93;

(*o*) misuses or makes unauthorised usage of the accounts maintained with the depository,

he shall be liable to a penalty specified as under,—

(*i*) if the default or contravention results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than ten lakh rupees, but may extend to three times the amount of such unlawful gain or loss made by such person as a result of the default or contravention, whichever is higher:

Provided that where the higher limit of the penalty as quantified by the adjudicating officer under this clause, is less than one hundred crore rupees, he may, for reasons to be recorded in writing, impose a penalty which may extend to one hundred crore rupees, if sufficient cause exists;

(*ii*) if the default or contravention does not result in unlawful gain or loss to the person concerned, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than ten lakh rupees, but may extend to one hundred crore rupees.

Penalty for failure to conduct business in accordance with provisions of Code.

104. If any market infrastructure institution fails to conduct its business with its members or any issuer or its agent or any person associated with the securities markets in accordance with the provisions of this Code or the rules or regulations made thereunder, it shall be liable to a penalty specified as under,—

(*a*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than ten lakh rupees, but may extend to three times the amount of such unlawful gain or loss made by such person as a result of the default, whichever is higher:

Provided that where the higher limit of the penalty as quantified by the adjudicating officer under this clause, is less than one hundred crore rupees, he may, for reasons to be recorded in writing, impose a penalty which may extend to one hundred crore rupees, if sufficient cause exists;

(*b*) if the default does not result in unlawful gain or loss to the person concerned, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than ten lakh rupees, but may extend to one hundred crore rupees.

Penalty for failure to furnish periodical returns, etc.

105. If any market infrastructure institution or any self-regulatory organisation fails or neglects to furnish periodical returns or furnishes false, incorrect or incomplete periodical returns or fails or neglects to make or amend its bye-laws as directed by the Board or fails to comply with directions issued by the Board or the adjudicating officer, it shall be liable to a penalty specified as under,—

(*a*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than ten lakh rupees, but may extend to three times the amount of such unlawful gain or loss made by such person as a result of the default, whichever is higher:

Provided that where the higher limit of the penalty as quantified by the adjudicating officer under this clause, is less than one hundred crore rupees, he may, for reasons to be recorded in writing, impose a penalty which may extend to one hundred crore rupees, if sufficient cause exists;

(*b*) if the default does not result in unlawful gain or loss to the person concerned, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than ten lakh rupees, but may extend to one hundred crore rupees.

Penalty for failure to comply with orders of Ombudsperson.

106. If any securities markets service provider or any issuer or its agent fails to comply with the order made by the Ombudsperson under sub-section (*1*) of section 75, it shall be liable to a penalty specified as under,—

(*a*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than ten lakh rupees, but may extend to three times the amount of such unlawful gain or loss made by such person as a result of the default, whichever is higher:

Provided that where the higher limit of the penalty as quantified by the adjudicating officer under this clause, is less than one hundred crore rupees, he may, for reasons to be recorded in writing, impose a penalty which may extend to one hundred crore rupees, if sufficient cause exists;

(*b*) if the default does not result in unlawful gain or loss to the person concerned, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than ten lakh rupees, but may extend to one hundred crore rupees.

Penalty for default by person managing pooled investment vehicle.

107. If a person managing a pooled investment vehicle—

(*a*) fails to comply with the conditions specified in the listing agreement, listing or delisting conditions or commits a breach thereof;

(*b*) manipulates the books or financial statements or siphons of public issue proceeds of such entity,

he shall be liable to a penalty specified as under—

(*i*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than ten lakh rupees, but may extend to three times the amount of such unlawful gain or loss made by such person as a result of the default, whichever is higher:

Provided that where the higher limit of the penalty as quantified by the adjudicating officer under this clause, is less than one hundred crore rupees, he may, for reasons to be recorded in writing, impose a penalty which may extend to one hundred crore rupees, if sufficient cause exists;

(*ii*) if the default does not result in unlawful gain or loss to the person concerned, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than ten lakh rupees, but may extend to one hundred crore rupees.

Penalty for excess dematerialisation or delivery of unlisted securities.

108. An issuer who dematerialises securities more than the issued securities of a company or delivers in the stock exchange the securities which are not listed on the stock exchange or delivers securities where no trading permission has been given by the stock exchange, it shall be liable to a penalty specified as under,—

(*a*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than ten lakh rupees, but may extend to three times the amount of such unlawful gain or loss made by such person as a result of the default, whichever is higher:

Provided that where the higher limit of the penalty as quantified by the adjudicating officer under this clause, is less than one hundred crore rupees, he may, for reasons to be recorded in writing, impose a penalty which may extend to one hundred crore rupees, if sufficient cause exists;

(*b*) if the default does not result in unlawful gain or loss to the person concerned, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than ten lakh rupees, but may extend to one hundred crore rupees.

Penalty where no specific provision for penalty is provided.

109. If any person contravenes any of the provisions of this Code or the rules or regulations made thereunder for which no penalty or punishment is provided in this Code, such person shall be liable to a penalty specified as under,—

(*a*) if the default results in unlawful gain or causes loss to an investor or other persons and such gain or loss is quantifiable, a penalty which shall not be less than one lakh rupees but may extend to three times the amount of such unlawful gain or loss, whichever is higher;

(*b*) if the default does not result in unlawful gain or loss, or such unlawful gain or loss is not quantifiable for reasons to be recorded in writing, a penalty which shall not be less than one lakh rupees but may extend to one lakh rupees for each day of such default, subject to a maximum of ten crore rupees.

Contravention by companies.

110. (*1*) Where a company contravenes the provisions of this Code or the rules or regulations or orders made thereunder, every officer who, at the time when the contravention was committed, was in-charge of, and was responsible to the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against accordingly:

Provided that nothing contained in this section shall render any such person liable for the contravention, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(*2*) Notwithstanding anything contained in this section—

(*a*) an independent director;

(*b*) a non-executive director not being a promoter or a key managerial personnel,

shall be held liable in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through the process of the Board of Directors, and with his consent or connivance or where he had not acted diligently.

(*3*) Where a contravention has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any officer of the company, by whatever name called, such officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against accordingly.

Explanation.—For the purposes of this section, the expressions—

(*a*) "company" means any body corporate and includes a firm or other association of individuals;

(*b*) "officer", in relation to a—

(*i*) company, means an officer as defined in clause (*59*) of section 2 of the Companies Act, 2013; 18 of 2013.

(*ii*) limited liability partnership or that of any other firm, shall mean a partner and employee of that firm;

(*iii*) any other body corporate or association of individuals shall mean any manager, secretary or any other employee by whatever name called.

Factors to be considered by adjudicating officer for imposition of penalty.

111. In addition to the factors specified under section 19, the adjudicating officer may also consider the following factors while imposing the penalty under sections 97 to 109,—

(*a*) the amount required to be disgorged under section 25; and

(*b*) any aggravating and mitigating circumstances.

Penalty to be credited to Consolidated Fund of India.

112. All sums realised by way of penalty by the Board under this Code shall be credited to the Consolidated Fund of India in such manner as may be prescribed.

CHAPTER XIV

SPECIAL COURTS

Establishment of Special Courts.

113. (*1*) For the purposes of providing speedy trial of offences under this Code, the Central Government may by notification, with the concurrence of the Chief Justice of the High Court concerned, for such area or areas as may be specified therein, establish or designate as many Special Courts as may be necessary:

Provided that any notification issued under section 26A of the Securities Contracts (Regulation) Act, 1956, section 26A of the Securities and Exchange Board of India Act, 1992, and section 22C of the Depositories Act, 1996, establishing or designating Special Courts and in force immediately before the date of commencement of this Code shall, on such commencement, be deemed to have been issued under this section and shall continue to have the same force and effect after such commencement until it is amended, rescinded or superseded under the provisions of this section. 42 of 1956. 15 of 1992. 22 of 1996.

(*2*) A Special Court shall consist of a single judge and he shall not be qualified for appointment as such, unless he immediately before such appointment, holds the office of a Sessions Judge or an Additional Sessions Judge, as the case may be.

(*3*) When trying an offence under this Code, a Special Court may also try an offence other than an offence under this Code with which the accused may, under the Bharatiya Nagarik Suraksha Sanhita, 2023, be charged at the same trial. 46 of 2023.

(*4*) Notwithstanding anything contained in the Bharatiya Nagarik Suraksha Sanhita, 2023, any offence committed under this Code and triable by a Special Court shall, until a Special Court is established or designated, be tried by a Court of Session exercising jurisdiction over the area: 46 of 2023.

Provided that nothing contained in this sub-section shall affect the powers of the High Court under section 447 of the Bharatiya Nagarik Suraksha Sanhita, 2023 to transfer any case or class of cases of which cognizance has been taken by a Court of Session under this section. 46 of 2023.

(*5*) Where any proceedings under sub-section (*4*) is pending before a Court of Session, such proceedings shall be transferred, heard and disposed of by a Special Court on being established or designated under this Code.

Appeal and revision.

114. The High Court may exercise, so far as may be applicable, all the powers conferred by Chapters XXXI and XXXII of the Bharatiya Nagarik Suraksha Sanhita, 2023 on a High Court, as if a Special Court within the local limits of the jurisdiction of the High Court were a Court of Session trying cases within the local limits of the jurisdiction of the High Court. 46 of 2023.

Application of Bharatiya Nagarik Suraksha Sanhita to proceedings before Special Court.

115. (*1*) Save as otherwise provided in this Code, the provisions of the Bharatiya Nagarik Suraksha Sanhita, 2023 shall apply to the proceedings before a Special Court and for the purposes of the said provisions, the Special Court shall be deemed to be a Court of Session and the person conducting prosecution before a Special Court shall be deemed to be a Public Prosecutor within the meaning of clause (*v*) of section 2 of the Bharatiya Nagarik Suraksha Sanhita, 2023. 46 of 2023.

(*2*) The person conducting prosecution referred to in sub-section (*1*) should have been in practice as an advocate for not less than seven years or should have held a post, for a period of not less than seven years, under the Central Government or a State Government, requiring special knowledge of law.

(*3*) Notwithstanding anything contained in the Bharatiya Nagarik Suraksha Sanhita, 2023, the Special Court shall take cognizance of an offence without the accused being committed to it for trial and in trying the offence, the Special Court shall hold trial in accordance with the provisions of the Bharatiya Nagarik Suraksha Sanhita, 2023 as it applies to a trial before a Court of Session. 46 of 2023.

Cognizance of offences by court.

116. No court shall take cognizance of any offence punishable under this Code, except on a complaint made in writing by the Board, or an officer or a person authorised by it in this behalf.

Compounding of certain offences.

117. (*1*) Notwithstanding anything contained in the Bharatiya Nagarik Suraksha Sanhita, 2023, any offence punishable under this Code, not being an offence punishable with imprisonment only, or with imprisonment and with fine, may either before or after the institution of any proceeding, be compounded by, the Tribunal on such terms and conditions and on payment of such sum as may be prescribed, or a court before which such proceedings are pending: 46 of 2023.

Provided that any offence punishable under this Code shall not be compounded, if the investigation against such person is pending under this Code.

(*2*) Nothing in sub-section (*1*) shall apply to an offence committed by a person within a period of three years from the date on which a similar offence committed by it was compounded under this section.

Explanation.—For the purposes of this sub-section, any subsequent offence committed after the expiry of a period of three years from the date on which the offence was previously compounded, shall be deemed to be a first offence.

(*3*) The Tribunal or the court, as the case may be, shall not decide an application under sub-section (*1*), unless the Board has been given an opportunity of being heard in the matter.

(*4*) If any person fails to comply with the decision of the Tribunal or the court, as the case may be, the maximum amount of fine for the offence proposed to be compounded shall be twice the amount provided in the corresponding provisions in which punishment for such offence is provided.

(*5*) Where the compounding of any offence is made by the Tribunal after the institution of any proceedings before the court, such compounding shall be brought to the notice of such court in which the proceeding is pending and on such notice of the compounding of the offence being given, the person in relation to whom the offence is so compounded shall be discharged.

CHAPTER XV

INTER-REGULATORY COORDINATION

Issuance or holding of other regulated instrument.

118. (*1*) The other regulated instrument may be issued through or be held in a depository, under the provisions of any other law for the time being in force or any order or direction issued by other regulatory authority.

(*2*) The Board may, in consultation with the other regulatory authority provide the conditions and procedures relating to the issuance and holding of other regulated instrument through depositories as may be specified by regulations.

Listing and trading of other regulated instrument.

119. (*1*) The Board may permit any other regulated instrument to be listed on a stock exchange, if the listing of such other regulated instrument is permitted by other regulatory authority.

(*2*) The other regulated instrument which is listed on a stock exchange shall be listed, traded, cleared and settled in accordance with the provisions of this Code and shall be subject to such other conditions as may be specified by regulations in consultation with the other regulatory authority.

(*3*) Where the other regulated instrument has been permitted to be listed on a stock exchange, the Board and the other regulatory authority may implement such other measures as may be necessary or expedient to facilitate—

(*a*) interoperability of any platform for the holding or transfer of such other regulated instrument under its jurisdiction with any market infrastructure institution;

(*b*) its transfer from other platform under the jurisdiction of other regulatory authority to any market infrastructure institution, or *vice-versa*; and

(*c*) such other measures as may be deemed necessary.

Cooperation between Board and other regulatory authority.

120. The Board may enter into a memorandum of understanding with any other regulatory authority for the purpose of any matter, including the issuance, holding, listing or trading of any other regulated instrument through any market infrastructure institution and sharing of information thereto and on the *inter se* responsibilities between the Board and other regulatory authority.

General conditions for Board and other regulatory authority.

121. The Board and the other regulatory authority while exercising their powers and performing their duties under this Chapter shall—

(*a*) facilitate investor participation in other regulated instrument, ensure investor protection and promote the orderly development of securities markets;

(*b*) consult and coordinate to ensure and achieve harmonisation of regulatory action in respect of any other regulated instrument; and

(*c*) make information available to each other such as issuing, holding, listing, trading and settlement of other regulated instrument in a timely manner.

Board to take action against entity registered with other regulatory authority.

122. (*1*) Where a person registered with the other regulatory authority contravenes any provisions of this Code or the rules or regulations or bye-laws made thereunder, the Board may either on its own motion or upon a reference being made by such other regulatory authority, initiate appropriate proceedings against such person and shall inform such other regulatory authority.

(*2*) Where the Board is of the opinion that the person referred to in sub-section (*1*) has contravened the provisions of the law under which it is registered, including any rules or regulations or bye-laws made thereunder, it shall inform the other regulatory authority concerned about such contravention for necessary action in accordance with such law.

CHAPTER XVI

FINANCE, ACCOUNTS AND AUDIT

Grants by Central Government.

123. The Central Government may, after due appropriation made by the Parliament by law in this behalf, make grants to the Board of such sums of money as the Central Government may think appropriate for the purposes of this Code.

Fund.

124. (*1*) The Securities and Exchange Board of India General Fund established under section 14 of the Securities and Exchange Board of India Act, 1992, shall be deemed to be the Fund for the purposes of this Code and there shall be credited thereto,—

15 of 1992.

(*a*) all grants, fees and charges received by the Board under this Code;

(*b*) all sums received by the Board as costs pursuant to an order of a court or Tribunal, as the case may be; and

(*c*) all sums received by the Board from such other sources as may be decided upon by the Central Government.

(*2*) The Fund shall be applied to meet—

(*a*) the salaries, allowances and other remuneration of the Members, officers and other employees of the Board;

(*b*) the expenses of the Board in the discharge of its functions under section 11;

(*c*) the expenses for the purposes of this Code; and

(*d*) the capital expenditure, in accordance with the annual capital expenditure plan approved by the Board.

(*3*) The Board shall constitute a reserve fund and twenty-five per cent. of the annual surplus of the General Fund in any financial year shall be credited to such reserve fund which shall not exceed the total of annual expenditure of the preceding two financial years.

Explanation.—For the purposes of this sub-section, annual surplus means the sum credited to the General Fund in a financial year under sub-section (*1*) in excess of the sum applied in that financial year for the purposes specified in sub-section (*2*).

(*4*) The sum credited to the reserve fund shall be utilised for the purposes of meeting the expenses of the Board in the discharge of its functions, as may be decided by the Board.

(*5*) After crediting the portion of the annual surplus under sub-section (*3*), the remaining annual surplus of the General Fund for that financial year shall be credited to the Consolidated Fund of India.

Investor Protection and Education Fund.

125. (*1*) The Investor Protection and Education Fund established under the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009 shall be deemed to be the Investor Protection and Education Fund for the purposes of this Code and there shall be credited thereto,—

(*a*) contribution as may be made by the Board to the Investor Protection and Education Fund;

(*b*) grants and donations to the Investor Protection and Education Fund by the Central Government, State Governments, or such other persons as may be specified by regulations;

(*c*) amounts disgorged under section 25;

(*d*) interest or other income received out of any investments made from the Investor Protection and Education Fund; and

(*e*) such other funds as may be decided by the Board.

(*2*) The Investor Protection and Education Fund shall be administered and utilised by the Board in such manner as may be specified by regulations for the promotion of education, awareness and protection of investors:

Provided that the disgorged amounts credited under clause (*c*) of sub-section (*1*) and any interest accrued thereto as credited to the Investor Protection and Education Fund, shall be first utilised by the Board for the purpose of making restitution under sub-section (*2*) of section 25, and thereafter, any remaining amount shall be utilised in accordance with this sub-section.

Accounts and audit.

126. (*1*) The Board shall maintain proper accounts and other relevant records, and prepare an annual statement of accounts along with the accounts of the Investor Protection and Education Fund, in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India.

(*2*) The accounts referred to in sub-section (*1*) shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Board to the Comptroller and Auditor-General of India.

(*3*) The Comptroller and Auditor-General of India and any other person appointed by him in connection with the audit of the accounts of the Board shall have the same rights, privileges and authority in connection with such audit as the Comptroller and Auditor-General of India generally has in connection with the audit of the Government accounts and, in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any of the offices of the Board.

(*4*) The accounts referred to in sub-section (*1*) as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf, together with the audit report thereon, shall be forwarded annually to the Central Government, who shall cause the same to be laid before each House of Parliament.

Returns and reports.

127. (*1*) The Board shall furnish to the Central Government, at such time and in such form and manner, as may be prescribed, or as the Central Government may direct, such returns and statements and such particulars in regard to any proposed or existing programme for the promotion and development of the securities markets, as the Central Government may require, from time to time.

(*2*) Without prejudice to the provisions of sub-section (*1*), the Board shall, after the end of each financial year within a period of ninety days, submit to the Central Government a report in such form, as may be prescribed, giving a true and full account of its activities, policies and programmes during the previous financial year.

(*3*) A copy of the report received under sub-section (*2*) shall be laid, as soon as may be after it is received, before each House of Parliament.

CHAPTER XVII

MISCELLANEOUS

Regulatory sandbox.

128. (*1*) The Board may establish a regulatory sandbox for the development of a new product, contract or service in the securities markets along with any exemptions or modifications, on its own motion or on an application made by any person, in such manner as may be specified by regulations.

(*2*) If a product, contract or service referred to in sub-section (*1*) falls within the jurisdiction of one or more other regulatory authority, any exemption given or modification made, shall be in consultation with such regulatory authority.

(*3*) The Board shall, while establishing a regulatory sandbox,—

(*a*) consider the impact of the proposed product, contract or service on the systemic stability of the securities markets, amongst other factors;

(*b*) ensure that there are adequate safeguards to protect the interests of the investors and recipients of the services; and

(*c*) specify by regulations the conditions and procedure for making an application for participation in the regulatory sandbox.

National Institute of Securities Markets.

129. (*1*) The National Institute of Securities Markets, a public trust established by the Board shall be deemed to have been established under this Code.

(*2*) The Board shall regulate the National Institute of Securities Markets for capacity building of intermediaries.

Members, officers and employees of Board to be public servants.

130. All Members, officers and other employees of the Board shall be deemed, when acting or purporting to act in pursuance of any of the provisions of this Code, to be public servants within the meaning of clause (*28*) of section 2 of the Bharatiya Nyaya Sanhita, 2023.

45 of 2023.

Power of Central Government to issue directions.

131. (*1*) Without prejudice to the foregoing provisions of this Code, the Board shall, in exercise of its powers or the performance of its duties under this Code, be bound by such directions on questions of policy as the Central Government may give in writing to it, from time to time:

Provided that the Board shall, as far as practicable, be given an opportunity to express its views before any direction is given under this sub-section.

(*2*) The decision of the Central Government whether a question is one of policy or not shall be final.

Power of Board to delegate.

132. The Board may, by general or special order in writing, delegate to any Member, officer of the Board or any other person subject to such conditions, if any, as may be specified in the order, such of its powers and functions under this Code, except the powers exercisable under sections 128, 146 and 149, as it may deem necessary.

Power of Central Government to supersede Board.

133. (*1*) If at any time the Central Government is of the opinion that—

(*a*) on account of grave emergency, the Board is unable to discharge the functions and duties imposed on it, by or under this Code; or

(*b*) the Board has persistently made default in complying with any directions issued by the Central Government under this Code or in the discharge of the functions and duties imposed on it under this Code and as a result of such default the financial position of the Board or the administration of the Board has deteriorated; or

(*c*) circumstances exist which render it necessary in the public interest so to do,

it may, by notification, supersede the Board for such period, not exceeding six months, as may be specified therein.

(*2*) Upon the publication of a notification under sub-section (*1*) superseding the Board,—

(*a*) all the Members of the Board shall, as from the date of supersession, vacate their offices as such;

(*b*) all the powers, functions and duties which may, by or under the provisions of this Code, be exercised or discharged by or on behalf of the Board, shall until the Board is reconstituted under sub-section (*3*), be exercised and discharged by such person or persons as the Central Government may direct; and

(*c*) all the property owned and controlled by the Board shall, until the Board is reconstituted under sub-section (*3*), vest in the Central Government.

(*3*) On the expiration of the period of supersession specified in the notification issued under sub-section (*1*), the Central Government may re-constitute the Board by a fresh appointment and in such case any person or persons who vacated their offices under clause (*a*) of sub-section (*2*), shall not be deemed disqualified for appointment:

Provided that the Central Government may, at any time before the expiry of the period of supersession take action under this sub-section.

(*4*) The Central Government shall cause a notification issued under sub-section (*1*) and a full report of any action taken under this section and the circumstances leading to such action to be laid before each House of Parliament at the earliest.

Confidentiality to be maintained by Board and its Members.

134. The Board and its Members including its officers and employees, a market infrastructure institution and a self-regulatory organisation including their officers and employees and the members of their governing board, shall maintain confidentiality of any regulatory data and other commercially sensitive information that is obtained or produced in the discharge of their functions under this Code, unless—

(*a*) any provision of this Code or of any other law for the time being in force permits or requires its publication or disclosure;

(*b*) the person from whom it was obtained or the person to whom it relates, consents to its disclosure;

(*c*) such data or information is already available to the public from other sources;

(*d*) the disclosure enables or assists the Board or the market infrastructure institution concerned or self-regulatory organisation to discharge its functions under this Code; or

(*e*) the disclosure is directed by a judicial or a quasi-judicial authority having jurisdiction, for the purpose of any proceedings.

Power of Central Government to grant immunity.

135. (*1*) If the Central Government, on the recommendation of the Board, is satisfied, that any person, who is alleged to have contravened the provisions of this Code or the rules or regulations or bye-laws made thereunder, has made a full and true disclosure in respect of the alleged contravention, it may grant to such person, subject to such conditions as it may think fit, immunity from prosecution for any offence or from the imposition of any penalty under this Code with respect to the alleged contravention:

Provided that no immunity shall be granted in such cases where the proceedings have been instituted before the receipt of application for grant of such immunity:

Provided further that the recommendation of the Board shall not be binding upon the Central Government.

(*2*) Any immunity granted to a person under sub-section (*1*) may, at any time, be withdrawn by the Central Government, if it is satisfied that such person had, in course of the proceedings, not complied with the condition on which the immunity was granted or had given false evidence, and thereupon such person may be tried for the offence with respect to which the immunity was granted or for any other offence of which it appears to have been guilty in connection with the contravention and shall also be liable to penalty to which such person would have been liable, had such immunity not been granted.

Recovery of amounts.

136. (*1*) If any person fails to—

(*a*) pay the penalty imposed;

(*b*) comply with any order of the adjudicating officer for refund of money;

(*c*) pay disgorgement amount;

(*d*) pay any fees due to the Board;

(*e*) pay the amount due pursuant to an order passed by an Ombudsperson under this Code,

the Recovery Officer may draw up under his signature a statement in the specified form, referred to as the certificate of recovery, specifying the amount due from the person and shall proceed to recover from such person the amount specified in such certificate by one or more of the following modes, namely:—

(*i*) attachment and sale of the person's movable property;

(*ii*) attachment of the person's bank accounts;

(*iii*) attachment and sale of the person's immovable property;

(*iv*) arrest of the person and his detention in prison;

(*v*) appointing a receiver for the management of the person's movable and immovable properties,

and for this purpose, the provisions of sections 411 to 419 and 421 of the Income-tax Act, 2025 and any rules made under these provisions, in so far as may be, apply with necessary modifications, as if the said provisions and the rules were made under the provisions of this Code and such amount shall be deemed to be the amount due under this Code instead of income-tax under the Income-tax Act, 2025.

30 of 2025.

Explanation.—For the removal of doubts, it is hereby clarified that,—

(*a*) the person's movable or immovable property or money held in bank account shall include any property or money held in bank account which has been transferred without adequate consideration, directly or indirectly, on or after the date when the amount specified in the certificate had become due, by such person to any other person; and so far as the movable or immovable property or money held in bank account are transferred to a minor child, such property shall, even after the date of attainment of majority by such minor child, continue to be included in the person's movable or immovable property or money held in bank account for recovering any amount due from the person under this Code;

(*b*) any reference to appeal in Chapter XIX-D of the Income-tax Act, 2025, shall be construed as a reference to appeal before the Tribunal under section 85;

30 of 2025.

(*c*) the interest referred to in section 411 of the Income-tax Act, 2025 shall be calculated from the date the amount becomes payable by the person;

30 of 2025.

(*d*) till the provisions of the Income-tax Act, 2025 come into force, the corresponding provisions of the Income-tax Act, 1961 shall apply.

30 of 2025.

43 of 1961.

(*2*) The Recovery Officer may seek the assistance of the local district administration including local police while exercising the powers under sub-section (*1*).

(*3*) The recovery under sub-section (*1*), shall have precedence over any other claim against such person except the claims of secured creditors as defined in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

54 of 2002.

(*4*) The Recovery Officer may, on his own motion or on a request made by any party, rectify any error apparent on the face of the record in a certificate drawn or an order issued by him, within a period of thirty days from the date of issuance of such certificate or order.

(*5*) The Recovery Officer while rectifying any error under sub-section (*4*), shall not modify the substantive part of such certificate or order.

Continuance of proceedings.

137. (*1*) On the death of a person, his legal representative shall be liable to pay any sum which the deceased would have been liable to pay, had he not died, in the like manner and to the same extent as the deceased:

Provided that the legal representative shall be liable to pay any penalty only in case the penalty has been imposed before the death of the deceased person.

(*2*) For the purposes of sub-section (*1*), any proceeding for disgorgement, refund or an action for recovery before the Recovery Officer, except a proceeding for levy of penalty,—

(*a*) initiated against the deceased before his death, shall be deemed to have been initiated against the legal representative and may be continued against such legal representative from the stage at which it stood on the date of the death of the deceased; and

(*b*) which would have been initiated against the deceased, if he had survived and may be initiated against the legal representative,

and all the provisions of this Code shall apply accordingly.

(*3*) Every legal representative shall be personally liable for any sum payable by him in his capacity as legal representative if, while his liability for such sum remains undischarged, he creates a charge on or disposes of or parts with any assets of the estate of the deceased, which are in, or may come into his possession, but such liability shall be limited to the value of the asset so charged, disposed of or parted with.

(*4*) The liability of a legal representative shall be limited to the extent to which the estate of the deceased is capable of meeting such liability.

Explanation.—For the purposes of this section, the expression "legal representative" means a person who in law represents the estate of a deceased person, and includes any person who intermeddles with the estate of the deceased and where a party sues or is sued in a representative character, the person on whom the estate devolves on the death of the party so suing or sued.

Bar of jurisdiction of civil court.

138. (*1*) No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which the Board, the adjudicating officer, the market infrastructure institution and the Tribunal are empowered by, or under, this Code to determine, and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any powers conferred by or under this Code.

(*2*) No order passed by the Board, the adjudicating officer, the Ombudsperson or the market infrastructure institution shall be appealable, except as provided in section 85.

Protection of action taken in good faith.

139. No suit, prosecution or other legal proceedings shall lie against the Central Government or the Board or any officer of the Central Government or any Member referred to in sub-section (*1*) of section 4, officer or other employee of the Board for anything which is done or intended to be done in good faith under this Code or the rules or regulations or bye-laws made thereunder.

30 of 2025.

140. Notwithstanding anything contained in the Income-tax Act, 2025 or any other law for the time being in force relating to tax on income, profit, gains, the Board shall not be liable to pay income-tax, or any other tax in respect of its income, profits or gains derived. Exemption from tax on income.

Explanation.—For the removal of doubts, it is hereby clarified that till the provisions of the Income-tax Act, 2025 come into force, the corresponding provisions of the Income-tax Act, 1961 shall apply.

30 of 2025.
43 of 1961.

141. Notwithstanding anything contained in any other law for the time being in force, the powers exercisable by the Board under this Code,— Power of Board not to apply to International Financial Services Centre.

(*a*) shall not extend to an International Financial Services Centre set up under sub-section (*1*) of section 18 of the Special Economic Zones Act, 2005;

28 of 2005.

(*b*) shall be exercisable by the International Financial Services Centres Authority established under sub-section (*1*) of section 4 of the International Financial Services Centres Authority Act, 2019,

50 of 2019.

in so far as regulation of financial products, financial services and financial institutions that are permitted in the International Financial Services Centres are concerned.

142. The provisions of this Code shall be in addition to, and not in derogation of the provisions of any other law for the time being in force. Application of other laws not barred.

143. (*1*) The provisions of this Code shall not apply to the Central Government, the Reserve Bank, any local authority or any corporation set up by a special law or any person who has effected any transaction with or through the agency of any such authority referred to in this sub-section: Code not to apply in certain cases.

Provided that the provisions of this Code shall apply to such transactions or securities that are listed or proposed to be listed and to the issuer of such securities.

(*2*) Without prejudice to the provisions contained in sub-section (*1*), if the Central Government is of the opinion that in the interest of trade and commerce or the economic development of the country, it is necessary or expedient so to do, it may notify any class of contracts to which the provisions of this Code shall not apply, subject to such conditions, limitations or restrictions, if any.

144. The Central Government may, by order published in the Official Gazette, direct that the powers except the powers under sections 131, 135 and 145 exercisable by it under this Code shall, in relation to such matters and subject to such conditions, if any, as may be specified in the order, be exercisable also by the Board or the Reserve Bank. Power of Central Government to delegate.

145. (*1*) The Central Government may, by notification and subject to the condition of previous publication, make rules not inconsistent with the provisions of this Code for carrying out the purposes of this Code: Power to make rules.

Provided that where the Central Government is of the opinion that the rules are required to be made urgently in public interest, it may, for reasons to be recorded in writing, dispense with the condition of previous publication.

(*2*) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(*a*) the manner of appointment of Chairperson and Members under sub-section (*3*) of section 4;

(*b*) the other terms and conditions under sub-section (*3*) of section 5;

(*c*) the other functions of the Board under clause (*z*) of sub-section (*2*) of section 11;

(*d*) the manner of crediting settlement amount to the Consolidated Fund of India under sub-section (*8*) of section 26;

(*e*) the salaries, allowances and conditions of service of the officers and employees of the Tribunal under sub-section (*3*) of section 84;

(*f*) the form, manner and fee for filing an appeal under sub-section (*3*) of section 85;

(*g*) the other matters under clause (*h*) of sub-section (*2*) of section 86;

(*h*) the manner of crediting all sums realised by way of penalty into Consolidated Fund of India under section 112;

(*i*) the terms and conditions and the sums payable under sub-section (*1*) of section 117;

(*j*) the form for maintaining proper accounts, other relevant records and the preparation of annual statement of account alongwith the accounts of the Investor Protection and Education Fund under sub-section (*1*) of section 126;

(*k*) the time, form and manner of furnishing returns, statements and particulars in regard to any proposed or existing programme for the promotion and development of securities markets under sub-section (*1*) of section 127;

(*l*) the form for submitting report, giving a true and full account of activities, policies and programmes during the previous financial year under sub-section (*2*) of section 127;

(*m*) any matter which is to be or may be prescribed or in respect of which provisions is to be made by rules.

Power to make regulations.

146. (*1*) The Board may, by notification make regulations not inconsistent with the provisions of this Code for carrying out the purposes of this Code.

(*2*) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:—

(*a*) the other services for the purposes of the definition of depository services under sub-clause (*iv*) of clause (*l*) of section 2;

(*b*) the form of records under clause (*ze*) of section 2;

(*c*) the time and place, the rules of procedure of transaction of business at the meetings of the Board, including quorum and the manner of maintaining arrangements for recording, safe-keeping and for taking decisions and publication thereof under sub-section (*1*) of section 8;

(*d*) the direct or indirect interest, including the interest of any family member, under sub-section (*4*) of section 8;

(*e*) the qualifications, method of recruitment and the terms and conditions of service of officers and employees of the Board under sub-section (*2*) of section 9;

(*f*) the manner for undertaking inspection of a securities markets service provider, a market participant or any other person associated with the securities markets under section 12;

(*g*) the manner of seeking assistance by the Board of a securities markets service provider or an expert to assist the Investigating Officer under sub-section (*1*), the form of the order directing investigation under sub-section (*2*), the criteria and manner of quantification of unlawful gains or losses under sub-section (*3*) and the procedure of conducting investigation under sub-section (*5*), of section 13;

(*h*) the form and manner of serving notice by the Investigating Officer under sub-section (*6*) of section 14;

(*i*) the rank of officer to be designated as an adjudicating officer under sub-section (*1*) of section 17;

(*j*) the manner for conducting adjudication proceedings under sub-section (*4*) of section 17;

(*k*) the relevant document and particulars to be enclosed with a show cause notice under sub-section (*1*) of section 18;

(*l*) the procedure, the criteria for distribution of disgorged amount, the order of priority and the other conditions to provide restitution from the disgorged amount under sub-section (*2*) of section 25;

(*m*) the conditions, the fee, the time and manner of filing an application for settlement of proceedings initiated or to be initiated under sub-section (*1*), the members, the terms and conditions for constitution of committee for advising the Board under sub-section (*2*), the other factors for settlement proceedings under sub-section (*3*) and the manner for conducting settlement proceedings under sub-section (*6*), of section 26;

(*n*) the form and manner, the eligibility criteria and fee payable and the period for rectification of the defects in the application for registration under sub-section (*2*) and the form and manner, the terms and conditions and the time period for issuing a certificate of registration and any additional conditions under sub-section (*3*), of section 28;

(*o*) the form and manner and the conditions for surrendering the certificate of registration under sub-section (*1*), and the period of suspension or cancellation of such certificate and the other grounds for such suspension or cancellation under sub-section (*2*), of section 29;

(*p*) the class or classes of investors under sub-section (*1*) of section 30;

(*q*) the manner in which investment schemes shall be conducted, operated or promoted including the matters related to contribution or subscription made by an investor under sub-section (*3*) section 32;

(*r*) the manner of investment of funds raised or collected under sub-section (*1*), and the manner and extent of borrowing and issuing debt securities by pooled investment vehicles under sub-section (*2*), of section 33;

(*s*) the manner of facilitating or providing services related to the issue, sale, purchase or any dealings in securities under sub-section (*1*), and the manner and the period within which to charge brokerage, deliver securities and make payment to an investor under sub-section (*2*), of section 34;

(*t*) the information and the frequency thereof under sub-section (*1*), and the manner of furnishing information by a securities markets service provider, market participant or a person associated with securities markets under sub-section (*2*), of section 35;

(*u*) the manner and the period to invest money by a securities markets service provider under sub-section (*3*) of section 35;

(*v*) the form, manner and fee for registration as a market infrastructure institution under sub-section (*2*), and the conditions for the bye-laws of the applicant, the form and other conditions for grant of registration to the applicant and the period for rectification of defects in the application for registration under sub-section (*3*), of section 37;

(*w*) the manner in which the Board may order to cancel the certificate of registration of market infrastructure institutions under sub-section (*1*) of section 38;

(*x*) such other matters under clause (*u*) of sub-section (*2*) of section 39;

(*y*) the mechanisms under sub-section (*2*) of section 41;

(*z*) the conditions under sub-section (*1*) of section 42;

(*za*) the manner of management of the board of market infrastructure institution under sub-section (*2*), and the manner of demutualisation of market infrastructure institution under sub-section (*3*), of section 42;

(*zb*) the manner of furnishing annual report and other information by market infrastructure institution to the Board under section 43;

(*zc*) the manner of being admitted as member or client of member or principal under sub-section (*1*) of section 52;

(*zd*) the conditions and procedures for issuance and holding of other regulated instrument through depositories under clause (*b*) of sub-section (*1*) of section 54;

(*ze*) the manner of surrender of certificate of security or other regulated instrument under sub-section (*1*), the time period for completion of the process of dematerialisation and informing the depository under sub-section (*2*), and the period for dematerialisation of the certificate of securities under sub-section (*4*), of section 56;

(*zf*) the other particulars to be maintained by depository under section 57;

(*zg*) the rights and obligations of depositories, depository participants and issuers under sub-section (*1*), the eligibility criteria for admission of securities or other regulated instrument on depositories and the manner of holding or transfer of such securities or other regulated instrument under sub-section (*2*), the manner of exercising the rights and interest and any other connected operational or incidental matters under sub-section (*3*), the manner of maintaining records by a depository under sub-section (*4*), and the procedures and good practices under sub-section (*5*), of section 62;

(*zh*) the eligibility criteria and requirements for securities to be offered to public and listed on stock exchange under sub-section (*1*), the conditions to be complied by every issuer intending to offer securities to the public or for listing under sub-section (*2*), the other conditions where securities are listed on stock exchange under sub-section (*3*) and the time period and manner in respect of repayment of all money under sub-section (*4*), of section 64;

(*zi*) the requirements and other matters under sub-section (*1*) of section 65;

(*zj*) the manner of delisting of securities by stock exchange under sub-section (*1*), and the grounds for such delisting under sub-section (*2*), of section 66;

(*zk*) the form and manner for implementing the delivery arrangements by a market infrastructure institution under section 69;

(*zl*) the manner of making the investor charter and such other matters concerning the investors under section 71;

(*zm*) the manner and the period for receiving, monitoring and redressing investor grievance under sub-section (*1*), and the period for informing the investor under sub-section (*2*), of section 72;

(*zn*) the manner and timelines for the grievance redressal under sub-section (*3*) of section 73;

(*zo*) the form and manner of filing a complaint to an Ombudsperson under sub-section (*2*) of section 74;

(*zp*) the amount to be paid to the complainant as damages under clause (*c*) of sub-section (*1*) of section 75;

(*zq*) the other fraudulent or unfair practices in the securities markets under clause (*f*) of section 92;

(*zr*) the other activities which adversely affects the integrity of the securities markets under clause (*g*) of section 93;

(*zs*) the conditions and procedures relating to the issuance and the manner of holding of other regulated instrument through depositories under sub-section (*2*) of section 118;

(*zt*) the other conditions for listing, trading, clearance and settlement of other regulated instrument on a stock exchange under sub-section (*2*) of section 119;

(*zu*) such other persons under clause (*b*) of sub-section (*1*) and the manner of administration and utilisation of the Investor Protection and Education Fund under sub-section (*2*), of section 125;

(*zv*) the manner of establishing a regulatory sandbox under sub-section (*1*) and the conditions, and procedure in respect of a regulatory sandbox under clause (*c*) of sub-section (*3*), of section 128;

(*zw*) the manner and conditions of issuing subsidiary instructions under sub-section (*1*) of section 149;

(*zx*) the manner of the constitution of Advisory Committees under section 150;

(*zy*) such other matter which is required to be, or may be, specified by regulations or in respect of which provision is to be made by regulations.

Process of issuing regulations.

147. (*1*) The Board shall ensure transparency while making regulations by—

(*a*) publishing draft regulations along with such other details on its website, inviting public comments for a specific period prior to issuing regulations;

(*b*) publishing a general statement of its response to the public comments, not later than the date of notification of the regulations;

(*c*) periodically reviewing such regulations.

(*2*) Notwithstanding anything contained in sub-section (*1*), where the Board is of the opinion that the regulations are required to be made urgently in public interest, it may, for reasons to be recorded in writing, dispense with the condition of publication of draft regulations.

Rules, regulations, bye-laws and subsidiary instructions to be laid before Parliament.

148. Every rule, regulation and bye-law made and subsidiary instruction issued under this Code shall be laid, as soon as may be after it is made or issued, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid both Houses agree in making any modification in the rule or regulation or bye-law or subsidiary instruction or both Houses agree that the rule or regulation or bye-law or subsidiary instruction should not be made or issued, such rule or regulation or bye-law or subsidiary instruction shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation or bye-law or subsidiary instruction.

Subsidiary instructions.

149. (*1*) The Chairperson individually or with a whole-time Member; or two whole-time Members of the Board may, issue subsidiary instructions in such manner and subject to such conditions as may be specified by regulations for the following purposes, namely:—

(*a*) clarifying the ambiguity in any regulation, if any; and

(*b*) laying down any procedural requirement ancillary to any regulation:

Provided that before making such instructions, the concerned Advisory Committee constituted under section 150 may be consulted, if necessary.

(*2*) Any contravention of the subsidiary instructions shall amount to contravention of the regulations it relates to.

Advisory Committees.

150. The Board may constitute one or more Advisory Committees, in such manner as may be specified by regulations, to advise it on—

(*a*) matters relating to the making of subsidiary instructions under section 149; and

(*b*) any other issue relating to the administration of this Code:

Provided that the advice of or consultation with an Advisory Committee shall not be binding on the Board.

Power to remove difficulties.

151. (*1*) If any difficulty arises in giving effect to the provisions of this Code, the Central Government may, by order published in the Official Gazette, make such provisions not inconsistent with the provisions of this Code as may appear to it to be necessary or expedient for removing the difficulty:

Provided that no order shall be made under this section after the expiry of three years from the date of commencement of this Code.

(*2*) Every order made under this section shall be laid, as soon as may be after it is made, before each House of Parliament.

Repeal and saving.

152. (*1*) The Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 and the Depositories Act, 1996 are hereby repealed: 42 of 1956. 15 of 1992. 22 of 1996.

Provided that sub-sections (*1*) and (*2*) of section 3 and section 15K of the Securities and Exchange Board of India Act, 1992 shall continue to apply as if that Act has not been repealed. 15 of 1992.

(*2*) Notwithstanding such repeal,—

(*a*) if, immediately before the commencement of this Code, there is any inspection or investigation, application, adjudication, trial or appeal pending, then such inspection, investigation, application, adjudication, trial or appeal shall be made or held or continued or disposed of, as the case may be, in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 and the Depositories Act, 1996, as in force immediately before such commencement (hereinafter referred to as the repealed enactments), as if this Code had not come into force; 42 of 1956. 15 of 1992. 22 of 1996.

(*b*) anything done or any action taken or purported to have been done or taken, including any rule, notification, regulation, scheme, order or notice made or issued or any appointment or declaration made or any operation undertaken or any direction given shall, in so far as it is not inconsistent with the provisions of this Code, be deemed to have been done or taken under the corresponding provisions of this Code;

(*c*) any order, rule, notification, regulation, circular, guideline, scheme appointment, conveyance, mortgage, deed, registration, recognition, document or agreement made or issued, fee directed, resolution passed, direction given, proceeding initiated, instrument executed or issued, or thing done under or in pursuance of any repealed enactment shall, if in force at the commencement of this Code have effect as if the aforementioned Acts have not been repealed;

(*d*) any principle or rule of law or established jurisdiction, form or course of pleading, practice or procedure or existing usage, custom, privilege, restriction or exemption shall not be affected, notwithstanding that the same respectively may have been in any manner affirmed or recognised or derived by, in, or from, the repealed enactments;

(*e*) any person appointed under the provisions of the repealed enactments and holding office as such immediately before the commencement of this Code, shall, on such commencement continue to hold his office under the corresponding provisions of this Code, unless removed or superannuated;

(*f*) all funds constituted and established under the repealed enactments shall be deemed to be the funds constituted or established under the corresponding provisions of this Code and all money in such funds shall be treated accordingly; and

(*g*) any jurisdiction, custom, liability, right, title, privilege, restriction, exemption, usage, practice, procedure or other matter or thing, not in existence or in force shall not be revised or restored.

(*3*) The mention of particular matters in sub-section (*2*) shall not be held to prejudice or affect the general application of section 6 of the General Clauses Act, 1897 with regard to the effect of such repeal.

10 of 1897.

References to repealed enactments.

153. Any references in any other enactment or in any instrument to—

(*a*) the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992 and the Depositories Act, 1996; or

42 of 1956.
15 of 1992.
22 of 1996.

(*b*) any rules or regulations or bye-laws made, or any circulars, schemes, orders or guidelines issued thereunder,

shall unless a different intention appears, be construed as a reference to the corresponding provisions of this Code, the rules, regulations or bye-laws made, or orders issued or subsidiary instruction issued thereunder.

Explanation.—For the purposes of this section, any references to,—

(*a*) "participant" as defined under clause (*g*) of sub-section (*1*) of section 2 of the Depositories Act, 1996, shall mean a depository participant under the provisions of this Code;

22 of 1996.

(*b*) "recognised stock exchange" defined under clause (*f*) of section 2 of the Securities Contracts (Regulation) Act, 1956, shall mean "stock exchange" as defined under clause (*zn*) of section 2 of this Code; or

42 of 1956.

(*c*) "rules or bye-laws" in relation to the stock exchanges shall mean "bye-laws" as defined under clause (*e*) of section 2 of this Code.

CHAPTER XVIII

AMENDMENTS TO CERTAIN ACTS

Amendment of Act 12 of 1974.

154. The Economic Offences (Inapplicability of Limitation) Act, 1974 shall be amended in the manner provided in the First Schedule.

Amendment of Act 15 of 2003.

155. The Prevention of Money-laundering Act, 2002 shall be amended in the manner provided in the Second Schedule.

Amendment of Act 17 of 2018.

156. The Fugitive Economic Offenders Act, 2018 shall be amended in the manner provided in the Third Schedule.

Amendment of Act 32 of 2023.

157. The Mediation Act, 2023 shall be amended in the manner provided in the Fourth Schedule.

THE FIRST SCHEDULE

(*See* section 154)

AMENDMENT TO THE ECONOMIC OFFENCES (INAPPLICABILITY OF LIMITATION) ACT, 1974

(12 OF 1974)

In the Economic Offences (Inapplicability of Limitation) Act, 1974, in the Schedule, after Entry 26, the following entry shall be inserted, namely:—

"27. The Securities Markets Code, 2025.".

THE SECOND SCHEDULE

(*See* section 155)

AMENDMENT TO THE PREVENTION OF MONEY-LAUNDERING ACT, 2002

(15 OF 2003)

In the Prevention of the Money-laundering Act, 2002, in Part A of the Schedule, for Paragraph 11, the following paragraph shall be substituted, namely:—

"PARAGRAPH 11

OFFENCES UNDER THE SECURITIES MARKETS CODE, 2025

Section	Description of offence
93 read with 96	Prohibition of market abuse. Punishment for market abuse.
94	Punishment for failure to comply with orders.".

THE THIRD SCHEDULE

(*See* section 156)

AMENDMENT TO THE FUGITIVE ECONOMIC OFFENDERS ACT, 2018

(17 OF 2018)

In the Fugitive Economic Offenders Act, 2018, in the Schedule, for Entry VIII, the following entry shall be substituted, namely:—

"VIII.	Offences under the Securities Markets Code, 2025.
93 read with 96	Prohibition of market abuse. Punishment for market abuse.
94	Punishment for failure to comply with orders.".

THE FOURTH SCHEDULE

(*See* section 157)

AMENDMENT TO THE MEDIATION ACT, 2023

(32 OF 2023)

In the Mediation Act, 2023, in the First Schedule, for Entry 11, the following entry shall be substituted, namely:—

"11. Proceedings before the Board and the Securities Appellate Tribunal under the Securities Markets Code, 2025.".

STATEMENT OF OBJECTS AND REASONS

The sound regulation of securities markets is imperative as such markets are instrumental for effective mobilization of capital for productive investments, wealth creation and protection of investors' confidence.

2. The extant laws relating to the securities markets are primarily (*i*) the Securities Contracts (Regulation) Act, 1956 (42 of 1956) enacted to prevent undesirable transactions in securities by regulating the business of dealings therein; (*ii*) the Securities and Exchange Board of India Act, 1992 (15 of 1992) providing for the establishment of the Securities and Exchange Board of India (the "Board") as the primary regulator for the securities markets to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market; and (*iii*) the Depositories Act, 1996 (22 of 1996) that provides for regulation of depositories in securities. As these laws were enacted decades ago, a review was required to reform the extant legislative framework to align with the evolving regulatory practices, latest developments in technology and the changing character of securities markets.

3. The Securities Markets Code, 2025 seeks to repeal the aforesaid three Acts, rationalises and consolidates the existing provisions and provides a modern regulatory framework for investor protection and capital mobilisation at a scale commensurate with the emerging needs of the fast-growing Indian economy. The Code endeavours to build a principle based legislative framework to reduce compliance burden, improve regulatory governance and enhance dynamism of the technology driven securities markets. The language of the Code has been simplified to remove obsolete and redundant concepts, to duplication of provisions and incorporate consistent regulatory procedures for standard processes, and to ensure a uniform and streamlined framework of Securities Laws. The Code is expected to further develop the financial sector in general and securities markets in particular and make India self-reliant in terms of mobilising capital for productive investment.

4. The Code seeks to strengthen the regulatory mechanism of the "Board" by providing a transparent and consultative process for issuing any subordinate legislation. It also requires periodic review of such regulations for their proportionate and effective implementation and regulatory impact assessment studies. The Code seeks to eliminate conflict of interest by requiring the Members of the "Board" to disclose any "direct or indirect" interest while participating in decision-making. It enables the "Board" to maintain a reserve fund and transfer the surplus, if any, to the Consolidated Fund of India. It streamlines the adjudication procedure and ensures that all quasi-judicial actions are undertaken through a single adjudication process after an appropriate fact-finding exercise. The Code maintains an arm's length separation between inspection or investigation and adjudication proceedings and defines timelines for investigations and interim orders for a time-bound completion of the enforcement process.

5. As a significant progressive step, the Code decriminalises certain contraventions of minor, procedural and technical nature into civil penalties to facilitate the ease of doing business and to reduce the compliance burden. The civil penalties are anchored to unlawful gains or losses caused with a view to ensure appropriate and adequate response to the gravity of the contraventions. It promotes standardisation in quantifying unlawful gains and losses to investors and fosters objectivity in undertaking enforcement actions like penalty imposition. However, punishment for market abuse is provided to deter persons from committing contraventions that adversely affect the market integrity. Further, the Code provides restriction period for initiating inspection or investigation to avoid delayed enforcement measures.

6. The Code further seeks to strengthen investor protection, promote investor education and awareness, and ensure effective and time-bound redressal of investor grievances. It enables effective and prompt resolution of investor grievances by introducing the concept of an Ombudsperson as a comprehensive platform for redressal of any unresolved grievances. The Code also enables the Board to establish a Regulatory Sandbox to facilitate innovation in financial products, contracts and services. Furthermore, an enabling framework is established for the inter-regulatory coordination of other regulated instruments to facilitate a seamless process for listing of such instruments.

7. The Code also proposes to amend the Economic Offences (Inapplicability of Limitation) Act, 1974 (12 of 1974), the Prevention of Money-laundering Act, 2002 (15 of 2003), the Fugitive Economic Offenders Act, 2018 (17 of 2018) and the Mediation Act, 2023 (32 of 2023) in the manner provided in the Schedules annexed to the Code.

8. The Notes on Clauses explain in detail the various provisions contained in the Bill.

9. The Bill seeks to achieve the above objectives.

NEW DELHI; NIRMALA SITHARAMAN.

The 15*th December*, 2025.

Notes on clauses

Clause 1 of the Bill provides for the short title extent and commencement of the Code.

Clause 2 of the Bill provides for definition of various terms and expressions used in the proposed legislation.

Clause 3 of the Bill provides for the Securities and Exchange Board of India established and incorporated under section 3 of the Securities and Exchange Board of India Act, 1992, shall be the Board for the purposes of this Code.

Clause 4 of the Bill provides for the composition of the Board.

Clause 5 of the Bill provides for the terms and conditions of service of the Chairperson and Members of the Board.

Clause 6 of the Bill provides for the circumstances for removal of Chairperson and Member of the Board.

Clause 7 of the Bill provides for the management of the Board by its Board of Members and the Chairperson.

Clause 8 of the Bill provides for conduct of the meetings of the Board, including the requirement to disclose any direct and indirect interest including the interest of a family member as specified in the regulation.

Clause 9 of the Bill provides for appointment of officers and employees by the Board.

Clause 10 of the Bill provides that the vacancy or defect in the constitution of the Board or appointment of Members or irregularity in procedure shall not invalidate an act or proceedings of the Board.

Clause 11 of the Bill provides that the Board shall protect the interest of investors in securities and promote the development of, and regulate the securities markets, by such measures as it may deem fit, subject to the provisions of this Code. It also provides for specific powers and functions to be exercised or performed by the Board.

Clause 12 of the Bill provides for the powers and functions of the Board to inspect a securities markets service provider, a market participant or any other person associated with securities markets in such manner as may be specified by regulations.

Clause 13 of the Bill provides for the powers and functions of the Board relating to investigations.

Clause 14 of the Bill provides for general powers and obligations of the Investigating Officer and also imposes obligations on a person under investigation.

Clause 15 of the Bill provides for powers related to search and seizure in relation to the investigation conducted by the Investigating Officer.

Clause 16 of the Bill restricts the initiation of inspection and investigation after eight years, except in specific circumstances. It also specifies how to calculate the eight year period for different types of defaults or contravention in other circumstances.

Clause 17 of the Bill provides for the designation of the adjudication officer, once the inspection or investigation is completed, and where the Board is of the opinion that adjudication is required. It further provides for disqualification of certain persons from being appointed as an adjudicating officer to ensure the separation of functions.

Clause 18 of the Bill provides for that once the adjudicating officer is designated, the adjudicating officer shall issue a show cause notice containing the relevant details for the notice and the noticee shall reply in writing along with evidence in support; or else the adjudicating officer may proceed to adjudicate the matter *ex parte*. Further, the adjudicating officer is vested with the powers of a civil court.

Clause 19 of the Bill provides a list of factors that shall guide the adjudicating officer in determining the appropriate action to be taken in a matter, including its severity.

Clause 20 of the Bill provides for the final order to be passed in adjudication of a show cause notice. The adjudicating officer may either dismiss the show cause notice or pass a common order comprising one or more of the actions listed in this provision.

Clause 21 of the Bill empowers the Board to revise the final order passed by the adjudicating officer, to increase the quantum of penalty and the severity of the direction, where the adjudicating officer has decided to take those actions.

Clause 22 of the Bill empowers the adjudicating officer or the Board to rectify an order for typographical or other inadvertent errors, without modifying the substantive part of the order.

Clause 23 of the Bill provides for the power of the adjudicating officer to issue directions or warnings as part of the final order, where the grounds mentioned in sub-section (*1*) are satisfied.

Clause 24 of the Bill empowers the adjudicating officer to issue cease and desist orders, pending adjudication or on completion thereof final order.

Clause 25 of the Bill provides for the power of the adjudicating officer to disgorge an amount equivalent to the unlawful gains made by the default or contravention. It also enables the Board to provide restitution to persons affected by the default or contravention if certain conditions are fulfilled, in accordance with the procedure specified by the Board.

Clause 26 of the Bill provides for the settlement of administrative and civil proceedings. It also enables SEBI to consider a settlement application by persons seeking to voluntarily disclose true and vital information which may amount to a contravention.

Clause 27 of the Bill provides the power to pass interim orders after the initiation of the inspection and investigation and before the completion of adjudication. It further provides that the person concerned shall be given an opportunity of being heard before an interim order is issued against him; provided, this requirement may be dispensed with in case of urgency if the conditions for issuing an interim order are met. It also provides that the interim order shall remain valid for a period not more than one hundred eighty days which can be extended as per sub-section (*4*). It also provides for extension of the interim order up to two years.

Clause 28 of the Bill provides for mandatory registration requirements for intermediaries, self-regulatory organisations and sponsors of pooled investment vehicles and investment schemes in the securities markets.

Clause 29 of the Bill provides for the procedures for surrender, suspension and cancellation of registration of intermediaries and other persons holding a certificate of registration under clause 28 and the powers of the adjudicating officer to cancel the registration or suspend it for the period specified by the regulations.

Clause 30 of the Bill provides for the Board to specify by regulations a class or classes of investors to be registered with it.

Clause 31 of the Bill provides for the delegation of powers of registration by the Board in respect of any class or classes of intermediaries or investors to a market infrastructure institution or a self-regulatory organisation.

Clause 32 of the Bill provides for the provisions in relation to investment schemes with different characteristics and the schemes which shall not be treated as investment schemes.

Clause 33 of the Bill provides for the pooled investment vehicles to mean a fund that is established for investment scheme in the form of trust etc., and various provisions for the same.

Clause 34 of the Bill provides for the provisions in relation to intermediaries which shall provide services related to the issue, sale, purchase or any dealings in securities.

Clause 35 of the Bill provides for the obligation of securities markets service providers to make fair disclosure of such information and at such frequency as may be specified by regulations.

Clause 36 of the Bill provides for the Board to approve the governing norms of a self-regulatory organisation.

Clause 37 of the Bill provide for the mandatory registration requirements for market infrastructure institutions to carry out business in the securities markets.

Clause 38 of the Bill provides for cancellation of registration or suspension of business of market infrastructure institutions in the interest of trade or public interest. It further provides that no cancellation of registration or suspension of business shall be made without giving an opportunity of being heard to the applicant.

Clause 39 of the Bill empowers market infrastructure institutions to make bye-laws and specifies the details therein to be included in the bye-laws.

Clause 40 of the Bill provides the power of the Board to direct bye-laws to be made or to make such bye-laws.

Clause 41 of the Bill provides that where a member contravenes a bye-law of a market infrastructure institution, the market infrastructure institution may, by an order, take measures against such members.

Clause 42 of the Bill provides certain ownership norms for, and the manner of management of, market infrastructure institutions.

Clause 43 of the Bill provides that a market infrastructure institution shall furnish a copy of its annual report and such other information in such manner as may be specified by regulation, to the Board.

Clause 44 of the Bill empowers the Central Government, on the recommendation of the Board, to supersede the governing board of a market infrastructure institution or a self-regulatory organisation.

Clause 45 of the Bill provides the circumstances in which the contracts for or relating to the purchase or sale or any dealings in securities shall be illegal.

Clause 46 of the Bill provides that contracts shall be legal and valid if they are made in accordance with the provisions of the Code and any rules or regulations or bye-laws made thereunder and are traded on a stock exchange or settled by a clearing corporation in accordance with the regulations made by the Board in this behalf.

Clause 47 of the Bill provides that any contract which is in contravention of any bye-laws of a stock exchange specified on that behalf, shall be void.

Clause 48 of the Bill lists certain types of contracts which shall not be deemed to be illegal or require prior permission of the Board.

Clause 49 of the Bill empowers the Central Government to notify for commodity in respect of which a derivatives may be entered into or made by any person.

Clause 50 of the Bill empowers the Central Government in the public interest or trade to regulate and control non-transferable specific delivery contracts in commodity or securities, etc., to declare by notification for the applicability of provision of this Code for such class or classes of non-transferable specific delivery contracts and spot delivery contracts for the sale or purchase of such securities.

Clause 51 of the Bill provides for the prohibition of organising or to become member of any association or entity without any registration regarding performance of contracts in securities.

Clause 52 of the Bill prohibits persons to deal in securities through market infrastructure institutions without being a member or a principal.

Clause 53 of the Bill provides the provisions in relation to title to dividends and income from securities.

Clause 54 of the Bill provides for the powers of the Board in respect of depository services.

Clause 55 of the Bill provides for that securities and other regulated instruments in depositories shall be in a dematerialised and fungible form.

Clause 56 of the Bill provides for the process of dematerialisation in respect of securities and other regulated instruments held by depositories by surrendering the certificate of securities and other regulated instruments.

Clause 57 of the Bill provides for the requirements relating to the maintenance of the register and index of beneficial owners by a depository.

Clause 58 of the Bill provides for the manner of registration of the transfer of a security or other regulated instrument in the name of the transferee which shall be the conclusive proof of title of the transferee over such security or other regulated instruments.

Clause 59 of the Bill provides for the manner of creation of a pledge or hypothecation in respect of securities and other regulated instruments through a depository by the beneficial owner by the previous approval of the depository.

Clause 60 of the Bill provides for every depository to furnish information and records and cast duty on issuer to deposit the copy of all relevant records.

Clause 61 of the Bill provides for the rights of registered owners and the beneficial owner in respect of securities or other regulated instruments held by a depository.

Clause 62 of the Bill provides for the obligations of a depository in respect of the securities or other regulated instruments held by it. It further provides the eligibility criteria for admission of securities and the manner of holding the same and to maintain records of beneficial owner.

Clause 63 of the Bill provides the application of the Bankers' Books Evidence Act, 1891 in relation to a depository as if it were a bank as defined in section 2 of that Act.

Clause 64 of the Bill provides that no securities shall be offered to the public or listed on a Stock Exchange without fulfilling the eligibility criteria.

Clause 65 of the Bill empowers the Board to specify by regulations, the listing and disclosure requirements for issuers. It further provides that the Central Government may by notification in the public interest, exempt any listed public sector company from the requirements.

Clause 66 of the Bill enables the issuer to apply to the Stock Exchange to delist its securities. It further provides that the stock exchange may also on its own delist the securities of an issuer subject to giving an opportunity of hearing to the issuer.

Clause 67 of the Bill provides that the stock exchange may refuse to list or delist the securities of an issuer with reasons.

Clause 68 of the Bill provides for the manner of netting and settlement of transactions undertaken on a stock exchange or clearing corporation.

Clause 69 of the Bill provides for the Market Infrastructure Institution to implement delivery arrangements in respect of contracts of securities as per the regulations.

Clause 70 of the Bill provides precedence over other attachments to dues to be recovered by a clearing corporation in furtherance of its clearing and settlement functions.

Clause 71 of the Bill empowers the Board to specify by regulations, an investor charter providing principles for the protection of investors and facilitation of their participation in the securities markets and such other matters concerning the investors.

Clause 72 of the Bill provides for the Board to specify by regulation an investor grievance redressal mechanism and also direct a securities markets service provider and an issuer to provide investor grievance redressal mechanisms.

Clause 73 of the Bill empowers the Board to designate one or more of its officer as an Ombudsperson to receive and redress the grievances of investors.

Clause 74 of the Bill provides that the investor shall first resolve his grievance through the investor grievance redressal mechanisms referred to in section 72 within a period of one hundred and eighty days from the date of first filing of such grievance in any of these mechanisms. It further provides that if the grievance is not resolved within this period, the investor may choose to continue the resolution through these mechanisms or, within thirty days after the completion of this period, file a complaint with the Ombudsperson. It also provides an explanation to explain the meaning of deficiency in service. It also provides that a complaint cannot be filed before the Ombudsperson if a person has initiated a proceeding under any other law in respect of a matter that is directly or substantially in issue in such a complaint.

Clause 75 of the Bill provides that the Ombudsperson may pass an order to direct the respondent to comply with its obligation; return the fee; pay damages; etc., to the complainant after giving him an opportunity of being heard and such order shall be binding to both the parties.

Clause 76 of the Bill provides that while redressing a complaint, if the Ombudsperson is of the opinion that the respondent has contravened any provisions of the Code or the rules or regulations made thereunder, he may inform the Board of such contravention.

Clause 77 of the Bill provides that the Ombudsperson shall have certain powers of a civil court.

Clause 78 of the Bill provides that any order of an Ombudsperson shall not prevent the Board from taking any other action under the Code.

Clause 79 of the Bill provides that the Securities Appellate Tribunal established under section 15K of the Securities and Exchange Board of India Act, 1992 shall be the Securities Appellate Tribunal, for the purposes of the Code.

Clause 80 of the Bill provides for the composition of the Tribunal and its Benches.

Clause 81 of the Bill provides for the appointment, qualifications, terms and conditions of service of the Presiding Officer and other Members of the Tribunal as per the applicable law. It further provides that on the date of commencement of the Code, the Presiding Officer and the Member of the Tribunal shall continue in their office till the remaining period of the tenure unless removed under the provisions of the applicable law.

Clause 82 of the Bill provides for the filling up of the vacancies in the office of the Presiding Officer or any other Member of the Tribunal.

Clause 83 of the Bill provides for the senior-most Judicial Member to act as Presiding Officer in case of vacancy in his office.

Clause 84 of the Bill provides for the officers and employees of the Tribunal. It further provides the officers and employees shall discharge their function under the General Superintendence of the Presiding Officer. It also provides that the Central Government may by rules provides for their salaries, allowance and other condition of service.

Clause 85 of the Bill provides for the appeal to the Tribunal. It provides for the orders or decisions against which an appeal can be made to the Tribunal. It further provides that the appeal may be filed within a period of fourty-five days from the date of order made to the Board. It also provides a proviso empowering the Tribunal to entertain an appeal beyond the said period with sufficient reasons.

Clause 86 of the Bill provides the powers of the Tribunal that of a civil court and shall follow the principle of natural justice. It further provides that proceeding before the Tribunal shall be deemed to a judicial proceeding within the meaning of Bharatiya Nyaya Sanhita, 2023. It also provides for various provisions of Presiding Officer.

Clause 87 of the Bill provides for that the order constituting the Tribunal shall be final and vacancies or defects in the constitution of the Tribunal, will not invalidate proceedings of the Tribunal.

Clause 88 of the Bill provides for the right to legal representation of a party before the Tribunal, either by itself or through persons authorised by such party.

Clause 89 of the Bill provides for the applicability of the provisions of the Limitation Act, 1963, as far as they apply to an appeal made to the Tribunal.

Clause 90 of the Bill provides that the Presiding Officer, Members and other officers and employees of the Tribunal be deemed as "public servants" within the meaning of clause (*28*) of section 2 of the Bharatiya Nyaya Sanhita, 2023.

Clause 91 of the Bill provides for the appeal to the Supreme Court within a period of sixty days from the date of communication of the decision or orders of the Tribunal by any aggrieved person. It further provides that the Supreme Court may entertain an appeal after the period of sixty days with sufficient cause.

Clause 92 of the Bill lists certain prohibited practices and dealings in securities which pertain to fraudulent or unfair practices such as use of any manipulative or deceptive device in connection with issue, purchase, sale or any dealing in securities; defraud in connection with issue or dealing in securities; make any false or fraudulent entry in any record; etc.

Clause 93 of the Bill lists certain grave acts which adversely affect the integrity of the market which are categorised as market abuse such as engage in insider trading, deal in securities while in possession of material or non-public information, place any order in securities while directly or indirectly in possession of information which is not publicly available, etc.

Clause 94 of the Bill provides for imprisonment for a term which shall not be less than one month but may extend to ten years or with fine of not less than ten lakh rupees but may extend to twenty-five crore rupees or both, if a person fails to comply with the interim order or the final order made under Chapter III.

Clause 95 of the Bill provides for the punishment for failure to comply with the directions of the Investigating Officer.

Clause 96 of the Bill provides for the imprisonment for a term which shall not be less than one month but may extend to ten years or with fine of not less than ten lakh rupees but may extend to twenty-five crore rupees or both, if any person contravenes, attempts to contravene, or abets the commission of market abuse.

Clause 97 of the Bill provides for the penalty for failure in obtaining certificates of registration, failure to furnish correct information or documents, etc. It further provides a monetary range for defaults or contraventions mentioned under sections 97 to 102 and section 109, within which the adjudicating officer shall impose an appropriate penalty while passing the final order for respective default or contravention. It also provides that the minimum penalty amount that should be imposed is fixed, the maximum penalty amount that can be imposed is linked to unlawful gains made by the defaulter or contravener, or loss caused to an investor or other persons and such quantification will depend on the facts and circumstances of each matter, and the criteria and manner for quantifying unlawful gains and losses will be specified in the regulations to ensure uniformity and certainty. It also provides that in cases where the unlawful gains or losses caused are not quantifiable, the maximum penalty amount is specifically provided.

Clause 98 of the Bill provides for the penalty for failure to invest the money collected by a securities markets service provider. It further provides that person who fails to comply with any provisions of this code, rules or regulations made thereunder or directions issued by the board or the bye-laws of a market infrastructure institution.

Clause 99 of the Bill provides for the penalty for contravention by stock brokers.

Clause 100 of the Bill provides for the penalty for failure to redress the grievances of investors.

Clause 101 of the Bill provides for the penalty for failure to dematerialise certificates of securities.

Clause 102 of the Bill provides for the penalty for failure to reconcile the records of dematerialised securities with all the securities issued by the issuer as per the regulations.

Clause 103 of the Bill provides for the penalty for other non-compliances. It provides a higher monetary range for defaults or contraventions mentioned under sections 103 to 108, within which the adjudicating officer shall impose an appropriate penalty while passing the final order for the respective default or contravention. It further provides that while the minimum penalty amount that should be imposed is fixed, the maximum penalty amount that can be imposed is linked to unlawful gains made by the defaulter or contravener, or loss caused to an investor or other persons. It also provides that such the quantification will depend on the facts and circumstances of each matter, and the criteria and manner for quantifying unlawful gains and losses will be specified in the regulations to ensure uniformity and certainty. It also provides that in case of these severe defaults or contraventions; there may be circumstances where the quantifiable unlawful gains or losses are relatively small. and the adjudicating officer may impose a higher penalty. It also provides that in cases where the unlawful gains or losses caused are not quantifiable, the maximum penalty amount is specifically provided.

Clause 104 of the Bill provides a penalty for failure of a market infrastructure institution to conduct its business in accordance with the provisions of this Code.

Clause 105 of the Bill provides a penalty for failure to furnish periodical returns, etc., by any market infrastructure institution or any self-regulatory organisation.

Clause 106 of the Bill provides a penalty for failure to comply with orders of an Ombudsperson.

Clause 107 of the Bill provides a penalty for default by persons managing a pooled investment vehicle.

Clause 108 of the Bill provides for a penalty for dematerialisation of securities in excess of the issued securities of a company or delivery of unlisted securities.

Clause 109 of the Bill is a residuary penalty provision for contraventions where no separate penalty is provided under the Code.

Clause 110 of the Bill provides for the liability of certain persons where a company commits a contravention, whether or not it results in a penalty or punishment. It further clarifies the extent of liability for independent and non-executive directors of a company in such circumstances and aligns it with the Companies Act, 2013.

Clause 111 of the Bill specifies the additional factors for imposition of penalty under sections 97 to 109. In addition to the factors mentioned in clause 19, the adjudicating officer shall also take into account—(*a*) the amount required to be disgorged and (*b*) any aggravating and mitigating circumstances. Disgorgement restores the noticee to its pre-contravention position, while penalties are imposed to ensure effective deterrence. When both actions are being undertaken, the adjudicating officer will harmonise the total monetary liability to serve these distinct objectives.

Clause 112 of the Bill provides for crediting all sums realised by way of penalties by the Board to the Consolidated Fund of India.

Clause 113 of the Bill provides for the establishment or designation of Special Courts for the trial of offences under the Code.

Clause 114 of the Bill provides for the appeals and revisions from the Special Court to the High Court concerned.

Clause 115 of the Bill provides that subject to certain exceptions, the provisions of the Bharatiya Nagarik Suraksha Sanhita, 2023 shall apply to the proceedings before the Special Court.

Clause 116 of the Bill provides that a court can take cognizance of an offence under the Code only upon written complaint made by the Board, or an officer or person authorised by it.

Clause 117 of the Bill provides for the compounding of offences under the Code by court or Tribunal, as the case may be. It provides that the offences under the Code may be compounded by—(*i*) the Tribunal, either before or after the proceedings related to such offences are instituted before the court, or (*ii*) the court, before which such proceedings are pending. It further provides that a person cannot apply for compounding of an offence committed by him within a period of three years from the date on which a similar offence committed by him was compounded under this section.

Clause 118 of the Bill provides for the manner in which other regulated instruments would be issued or held through depositories. It further provides that the Board may in consultation with other regulatory authority specify the conditions and procedure of issuance and holding of other regulated instrument through depositories.

Clause 119 of the Bill provides for the manner of listing and trading of other regulated instruments. It also provides that the other regulated instruments which is listed on a stock exchange shall be listed, traded, cleared and settled in accordance with the provisions of this Code and shall be subject to other conditions that are specified by the Board in consultation with other regulated authority.

Clause 120 of the Bill enables the Board to enter into a memorandum of understanding with other regulatory authority for various purposes.

Clause 121 of the Bill provides for the general conditions applicable on the Board and other regulatory authority, while exercising their powers or performing their functions under this Chapter such as to facilitate investor participation, ensure investor protection, promote the orderly development of securities markets, etc.

Clause 122 of the Bill empowers the Board to take action against a person who are registered with other regulatory authority in case of contravention of the provisions of the Code. It also provides that where the Board is of the opinion that such person has contravened the provisions of the law under which it is registered, it shall inform the concerned other regulatory authority about the contravention for taking appropriate action.

Clause 123 of the Bill provides for grants by the Central Government to the Board.

Clause 124 of the Bill provides that the General Fund, established under section 14 of the Securities and Exchange Board of India Act, 1992, shall be deemed to be the Fund for the purposes of the Code.

Clause 125 of the Bill provides that the Investor Protection and Education Fund established under the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009 shall be deemed to be the Investor Protection and Education Fund for the purposes of the Code.

Clause 126 of the Bill provides for the Board to maintain accounts and audit of the accounts by the Comptroller and Auditor-General of India.

Clause 127 of the Bill provides for furnishing of returns and reports by the Board to the Central Government within the period of ninety days after the end of each previous financial year. It also provides that a copy of the report shall be laid before each House of Parliament.

Clause 128 of the Bill provides the establishment of a regulatory sandbox for development of new products, contracts, or services in the securities markets.

Clause 129 of the Bill provides for the regulation of the National Institute of Securities Markets for capacity building of intermediaries.

Clause 130 of the Bill provides that the Members, officers and employees of the Board to be public servants.

Clause 131 of the Bill provides for the power of the Central Government to issue directions to the Board.

Clause 132 of the Bill provides for the delegation of certain powers by the Board except the powers under sections 128, 146 and 149.

Clause 133 of the Bill empowers the Central Government to supersede the Board for the circumstances mentioned therein. It further empowers the Central Government to take over all powers and functions of the Board on being superseded which shall be exercised by such persons as the Central Government may direct. It also empowers the Central Government to reconstitute the Board by fresh appointment.

Clause 134 of the Bill provides for the requirement to maintain confidentiality of the regulatory data under the Code by the Board (its officers, employees) and its Members, a market infrastructure institution and a self-regulatory organisation (including their officers, employees and the members of their governing boards).

Clause 135 of the Bill empowers the Central Government, on the recommendation of the Board, to grant immunity to any person who is alleged to have contravened the provision of this Code or rules, regulations or bye-laws made thereunder subject to conditions mentioned therein.

Clause 136 of the Bill provides for the procedure for recovery of amounts in case of failure by any person by various mode provided therein.

Clause 137 of the Bill provides for the continuance of proceedings under the Code after the death of a person.

Clause 138 of the Bill provides for the bar of jurisdiction of courts in certain cases in respect of quasi-judicial proceedings under the Code.

Clause 139 of the Bill provides for the protection from the legal proceeding to the Central Government or any of its officers or the Board, any member of the Board or its officers and employees for any action taken in good faith.

Clause 140 of the Bill provides for an exemption to Board from paying certain taxes.

Clause 141 of the Bill provides that the power of the Board does not apply to the International Financial Services Centre.

Clause 142 of the Bill provides provisions of this Code shall be in addition to, and not in derogation of the provisions of any other law for the time being in force.

Clause 143 of the Bill provides that the Code will not apply in certain cases.

Clause 144 of the Bill empowers the Central Government to delegate its powers under the Code except the powers under sections 131,135 and 145.

Clause 145 of the Bill empowers the Central Government to make rules under the Code for various provisions enumerated therein. It further provides that the Central Government shall, before making any rules, comply with the condition of previous publication. It also empowers the Central Government to dispense with the requirements of previous publication in case of urgency in the public interest, for reasons to be recorded in writing.

Clause 146 of the Bill provides for the power of the Board to make regulations. In addition to the general powers of the Board to make regulations for carrying out the purposes of this Code, this provision provides a list of subject matter for which the specifications shall be through regulations.

Clause 147 of the Bill provides the procedure for issuing regulations by the Board. The Board shall, before making a regulation, invite public comment on the draft of the regulations. It further provides that the Board will provide an appropriate, reasonable period for inviting public comments and will also give a general statement of its response to the public comments. It also provides that this requirement may be dispensed with in case of urgency in the public interest, for reasons to be recorded in writing. It also provides that the Board shall periodically review the regulations made by it.

Clause 148 of the Bill provides that the rules, regulations, bye-laws and subsidiary instructions made under this Code be laid before the Parliament.

Clause 149 of the Bill provides the manner of issuing subsidiary instructions by the Board that clarify existing regulations or define the procedures ancillary to a regulation. It further provides that a subsidiary instruction can be issued by—(*i*) the Chairperson, individually or with a whole-time Member, or (*ii*) two whole-time Members. It also provides that the Board will also specify the manner and conditions for issuing subsidiary instructions.

Clause 150 of the Bill provides for the constitution of the Advisory Committees by the Board. It further provides that the Board may consult the Advisory Committee if it considers it necessary. It also provides that such consultation or advice shall not be binding.

Clause 151 of the Bill empowers the Central Government by order to remove difficulties that may arise in giving effect to the provisions of the Code. It further provides that no order shall be made after the expiry of a period of three years.

Clause 152 of the Bill provides for the repeal and savings of the existing enactments governing the securities markets and facilitates the transition from such repealed enactments to the provisions of the Code.

Clause 153 of the Bill provides that any reference to repealed enactments to be construed as a reference to the Code and the corresponding provisions.

Clause 154 of the Bill provides that the Economic Offences (Inapplicability of Limitation) Act, 1974 be amended in the manner provided in the First Schedule to align with the provisions of the Code.

Clause 155 of the Bill provides that the Prevention of Money-laundering Act, 2002 be amended in the manner provided in the Second Schedule to align with the provisions of the Code.

Clause 156 of the Bill provides that the Fugitive Economic Offenders Act, 2018 shall be amended in the manner provided in the Third Schedule to align with the provisions of the Code.

Clause 157 of the Bill provides that the Mediation Act, 2023 shall be amended in the manner provided in the Fourth Schedule to align with the provisions of the Code.

FINANCIAL MEMORANDUM

The Securities Markets Code, 2025, if enacted, is not likely to involve any expenditure, either recurring or non-recurring, from and out of the Consolidated Fund of India.

MEMORANDUM REGARDING DELEGATED LEGISLATION

1. Sub-clause (*1*) of clause 145 of the Bill empowers the Central Government to make rules for carrying out the provisions of the proposed legislation. Sub-clause (*2*) of the said clause specifies the matters in respect of which such rules may be made. These matters, *inter alia*, includes—

(*a*) the manner of appointment of Chairperson and Members under sub-section (*3*) of section 4; (*b*) the other terms and conditions of service of Chairperson and members under sub-section (*3*) of section 5; (*c*) the other functions of the Board under clause (*z*) of sub-section (*2*) of section 11; (*d*) the manner of crediting settlement amount to the Consolidated Fund of India under sub-section (*8*) of section 26; (*e*) the salaries, allowances and conditions of service of the officers and employees of the Tribunal under sub-section (*3*) of section 84; (*f*) the form, manner and fee for filing an appeal under sub-section (*3*) of section 85; (*g*) the other matters under clause (*h*) of sub-section (*2*) of section 86; (*h*) the manner of crediting all sums realised by way of penalty into Consolidated Fund of India under section 112; (*i*) the terms and conditions and the sums payable under sub-section (*1*) of section 117; (*j*) the form for maintaining proper accounts, other relevant records and the preparation of annual statement of account along with the accounts of the Investor Protection and Education Fund under sub-section (*1*) of section 126; (*k*) the time, form and manner of furnishing returns, statements and particulars in regard to any proposed or existing programme for the promotion and development of securities markets under sub-section (*1*) of section 127; (*l*) the form for submitting report, giving a true and full account of activities, policies and programmes during the financial year under sub-section (*2*) of section 127; (*m*) any matter which is to be or may be prescribed or in respect of which provisions is to be made by rules.

2. Sub-clause (*1*) of clause 146 of the Bill empowers the Board to make regulations for carrying out the provisions of the proposed legislation. Sub-clause (*2*) of the said clause specifies the matters in respect of which such regulations may be made. These matters, *inter alia*, includes—

(*a*) the other services for the purposes of the definition of depository services under sub-clause (*iv*) of clause (*l*) of section 2; (*b*) the form of records under clause (*ze*) of sub-section (*1*) of section 2; (*c*) the time and place, the rules of procedure of transaction of business at the meetings of the Board, including quorum and the manner of maintaining arrangements for recording, safe-keeping and for taking decisions and publication thereof under sub-section (*1*) of section 8; (*d*) such direct or indirect interest, including the interest of any family member, under sub-section (*4*) of section 8; (*e*) the qualifications, method of recruitment and the terms and conditions of service of officers and employees of the Board under sub-section (*2*) of section 9; (*f*) the manner for undertaking inspection of a securities markets service provider, a market participant or any other person associated with the securities markets under section 12; (*g*) the manner of seeking assistance by the Board of a securities markets service provider or an expert to assist the Investigating Officer under sub-section (*1*), the form of the order directing investigation under sub-section (*2*), the criteria and manner of quantification of unlawful gains or losses under sub-section (*3*) and the procedure of conducting investigation under sub-section (*5*), of section 13; (*h*) the form and manner of serving notice by the Investigating Officer under sub-section (*6*) of section 14; (*i*) the rank of officer to be designated as an adjudicating officer under sub-section (*1*) of section 17; (*j*) the manner for conducting adjudication proceedings under sub-section (*4*) of section 17; (*k*) the relevant document and particulars to be enclosed with a show cause notice under sub-section (*1*) of section 18; (*l*) the procedure, the criteria for distribution of disgorged amount,

the order of priority and the other conditions to provide restitution from the disgorged amount under sub-section (*2*) of section 25; (*m*) the conditions, the fee, the time and manner of filing an application for settlement of proceedings initiated or to be initiated under sub-section (*1*), the members, the terms and conditions for constitution of committee for advising the Board under sub-section (*2*), the other factors for settlement proceedings under sub-section (*3*) and the manner for conducting settlement proceedings under sub-section (*6*), of section 26; (*n*) the form and manner, the eligibility criteria and fee payable and the period for rectification of the defects in the application for registration under sub-section (*2*) and the form and manner, the terms and conditions and the time period for issuing a certificate of registration and any additional conditions under sub-section (*3*), of section 28; (*o*) the form and manner and the conditions for surrendering the certificate of registration under sub-section (*1*), and the period of suspension or cancellation of such certificate and the other grounds for such suspension or cancellation under sub-section (*2*), of section 29; (*p*) the class or classes of investors under sub-section (*1*) of section 30; (*q*) the manner in which investment schemes shall be conducted, operated or promoted including the matters related to contribution or subscription made by an investor under sub-section (*3*) or section 32; (*r*) the manner of investment of funds raised or collected under sub-section (*1*), and the manner and extent of borrowing and issuing debt securities by pooled investment vehicles under sub-section (*2*), of section 33; (*s*) the manner of facilitating or providing services related to the issue, sale, purchase or any such dealings in securities under sub-section (*1*), and the manner and the period within which to charge brokerage, deliver securities and make payment to an investor under sub-sections (*2*), of section 34; (*t*) the fair disclosure of information and the frequency thereof under sub-section (*1*) and, the manner of furnishing information by a securities markets service provider, market participant or a person associated with securities markets under sub-section (*2*), of section 35; (*u*) the manner and the period to invest money by a securities markets service provider under sub-section (*3*) of section 35; (*v*) the form, manner and fee for registration as a market infrastructure institution under sub-section (*2*) and, the conditions for the bye-laws of the applicant, the form and other conditions for grant of registration to the applicant and the period for rectification of defects in the application for registration under sub-section (*3*), of section 37; (*w*) the manner in which the Board may order to cancel the certificate of registration of market infrastructure institutions under sub-section (*1*) of section 38; (*x*) such other matters under clause (*u*) of sub-section (*2*) of section 39; (*y*) the mechanisms under sub-section (*2*) of section 41; (*z*) the conditions under sub-section (*1*) of section 42; (*za*) the manner of management of the board of market infrastructure institution under sub-section (*2*) and the manner of demutualisation of market infrastructure institution under sub-section (*3*) of section 42; (*zb*) the manner of furnishing annual report and other information by market infrastructure institution to the Board under section 43; (*zc*) the manner of being admitted as member or client of member or principal under sub-section (*1*) of section 52; (*zd*) the conditions and procedures for issuance and holding of other regulated instrument through depositories under clause (*b*) of sub-section (*1*) of section 54; (*ze*) the manner of surrender of certificate of security or other regulated instrument under sub-section (*1*), the time period for completion of the process of dematerialisation and informing the depository under sub-section (*2*), and the period for dematerialisation of the certificate of securities under sub-section (*4*), of section 56; (*zf*) the other particulars to be maintained by depository under section 57; (*zg*) the rights and obligations of depositories, depository participants and issuers under sub-section (*1*), the eligibility criteria for admission of securities or other regulated

instrument on depositories and the manner of holding or transfer of such securities and other regulated instrument under sub-section (*2*), the manner of exercising the rights and interest and any other operational or incidental matters under sub-section (*3*), the manner of maintaining records by a depository under sub-section (*4*), and the procedures and good practices under sub-section (*5*), of section 62; (*zh*) the eligibility criteria and requirements for securities to be offered to public and listed on stock exchange under sub-section (*1*), the conditions to be complied by every issuer intending to offer securities to the public or for listing under sub-section (*2*), the other conditions where securities are listed on stock exchange under sub-section (*3*) and the time period and manner in respect of repayment of all money under sub-section (*4*), of section 64; (*zi*) the requirements and other matters under sub- section (*1*) of section 65; (*zj*) the manner of delisting of securities by stock exchange under sub-sections (*1*) and the grounds for such delisting under sub-section (*2*), of section 66; (*zk*) the form and manner for implementing the delivery arrangements by a market infrastructure institution under section 69; (*zl*) the manner of making the investor charter and such other matters concerning the investors under section 71; (*zm*) the manner and the period for receiving, monitoring and redressing investor grievance under sub-section (*1*) and the period for informing the investor under sub-section (*2*), of section 72; (*zn*) the manner and timelines for the grievance redressal under sub-section (*3*) of section 73; (*zo*) the form and manner of filing a complaint to an Ombudsperson under sub-section (*2*) of section 74; (*zp*) the amount to be paid to the complainant as damages under clause (*c*) of sub-section (*1*) of section 75; (*zq*) the other fraudulent or unfair practices in the securities markets under clause (*f*) of section 92; (*zr*) the other activities which adversely affects the integrity of the securities markets under clause (*g*) of section 93; (*zs*) the conditions and procedures relating to the issuance and the manner of holding of other regulated instrument through depositories under sub-section (*2*) of section 118; (*zt*) the other conditions for listing, trading, clearance and settlement of other regulated instrument on a stock exchange under sub-section (*2*) of section 119; (*zu*) the grants and donations to other persons under clause (*b*) of sub-section (1) and the manner of administration and utilisation of the Investor Protection and Education Fund under sub-section (*2*), of section 125; (*zv*) the manner of establishing a regulatory sandbox under sub-section (*1*) and the conditions and procedure for making an application under clause (*c*) of sub-section (*3*), of section 128; (*zw*) the manner and conditions of issuing subsidiary instructions under sub-section (*1*) of section 149; (*zx*) the manner of the constitution of Advisory Committees under section 150; (*zy*) such other matter which is required to be, or may be, specified by regulations or in respect of which provision is to be made by regulations.

3. Sub-clause (*1*) of clause 39 of the Bill empowers a market infrastructure institution to make bye-laws for carrying out the provisions of the proposed legislation. Sub-clause (*2*) of the said clause enumerates the matters in respect of which such bye-laws may be made which includes—

(*a*) the appropriate mechanisms for safeguarding the interests of any investors in securities and beneficial owners thereof; (*b*) the manner of holding, custody, pledging, hypothecation, lending, borrowing, issue, transfer, trading, transmission, conversion, transformation, consolidation, switching, clearing, delivery, settlement and other dealings in securities; (*c*) the risk management and abuse prevention measures such as imposition of margins, position and price limits, circuit breakers, collateral management, auction of short positions, order restrictions, account suspensions, server placement and

other technical requirements; (*d*) the particular bye-laws, the contravention of which shall make a contract entered into otherwise than in accordance with the bye-laws void under section 47; (*e*) the terms and conditions for accessing any services provided by the market infrastructure institution; (*f*) the listing of securities, the inclusion of any security for the purpose of dealings and the suspension or withdrawal of any such securities, and the suspension or prohibition of trading in securities; (*g*) the procedure for disbursing of interest, dividend, bonus and other monetary benefits arising from the holding, transfer, or any dealings in securities; (*h*) the norms of fair and time-bound disclosure of material information by issuers; (*i*) the internal control standards such as audits, review and monitoring; (*j*) the *inter-se* rights and obligations of members and market participants; (*k*) the terms, conditions and incidents of contracts, including the prescription of margin requirements, if any, and the conditions relating thereto, and the forms of contracts in writing; (*l*) the content, form and manner of executing member-client agreements; (*m*) the measures relating to regulation of fees charged by members, dealings by members for their own account, maintenance of separation of client funds and securities; (*n*) the process of accrediting or empanelling persons providing services in connection with any dealings in securities; (*o*) the procedure for conveying information to members and market participants; (*p*) the levy and recovery of fees and penalties; (*q*) the conduct of inspections, filing of information and such other matters in relation to regulation of its members; (*r*) the obligations of members to supply such information or explanation and to produce such documents relating to their business as may be sought by the market infrastructure institution; (*s*) the procedure for the settlement of claims or disputes or grievances including settlement by mediation or arbitration including through electronic means; (*t*) the manner of conducting proceedings against the members and market participants for committing breach of the bye-laws and provisions for suspension, expulsion of members and market participants and cancellation of agreements with the market infrastructure institution; (*u*) other matters as may be specified by regulations; (*w*) sub-section (5) of section 39 empowers the Board to make bye-laws over the matter enumerated under sub-section (2) thereof.

4. The matters in respect of which rules, regulations, subsidiary instructions or bye-laws, may be made or issued under the aforesaid provisions are matters of procedure and administrative detail and it is not practicable to provide for them in the Bill itself. The delegation of legislative power is, therefore, of a normal character.

UTPAL KUMAR SINGH
Secretary General

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